

AMENDMENT IN THE NATURE OF A SUBSTITUTE
OFFERED BY MR. RANGEL OF NEW YORK

Strike all after the enacting clause and insert the
following:

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

2 **TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
4 “Renewable Energy and Energy Conservation Tax Act of
5 2007”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference
10 shall be considered to be made to a section or other provi-
11 sion of the Internal Revenue Code of 1986.

12 (c) TABLE OF CONTENTS.—The table of contents of
13 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—PRODUCTION INCENTIVES

Sec. 101. Extension and modification of renewable energy credit.

Sec. 102. Production credit for electricity produced from marine renewables.

Sec. 103. Extension and modification of energy credit.

Sec. 104. New clean renewable energy bonds.

Sec. 105. Extension and modification of special rule to implement FERC and
State electric restructuring policy.

Sec. 106. Repeal of dollar limitation and allowance against alternative min-
imum tax for residential solar and fuel cell property credit.

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TITLE II—CONSERVATION

Subtitle A—Transportation

- Sec. 201. Credit for plug-in hybrid vehicles.
- Sec. 202. Extension and modification of alternative fuel vehicle refueling property credit.
- Sec. 203. Extension and modification of credits for biodiesel and renewable diesel.
- Sec. 204. Credit for production of cellulosic alcohol.
- Sec. 205. Extension of transportation fringe benefit to bicycle commuters.
- Sec. 206. Modification of limitation on automobile depreciation.
- Sec. 207. Restructuring of New York Liberty Zone tax credits.

Subtitle B—Other Conservation Provisions

- Sec. 211. Qualified energy conservation bonds.
- Sec. 212. Qualified residential energy efficiency assistance bonds.
- Sec. 213. Extension of energy efficient commercial buildings deduction.
- Sec. 214. Modifications of energy efficient appliance credit for appliances produced after 2007.
- Sec. 215. Five-year applicable recovery period for depreciation of qualified energy management devices.

TITLE III—REVENUE PROVISIONS

Subtitle A—Denial of Oil and Gas Tax Benefits

- Sec. 301. Denial of deduction for income attributable to domestic production of oil, natural gas, or primary products thereof.
- Sec. 302. 7-year amortization of geological and geophysical expenditures for certain major integrated oil companies.
- Sec. 303. Clarification of determination of foreign oil and gas extraction income.

Subtitle B—Clarification of Eligibility for Certain Fuel Credits

- Sec. 311. Clarification of eligibility for renewable diesel credit.
- Sec. 312. Clarification that credits for fuel are designed to provide an incentive for United States production.

TITLE IV—OTHER PROVISIONS

Subtitle A—Studies

- Sec. 401. Carbon audit of the tax code.
- Sec. 402. Comprehensive study of biofuels.

Subtitle B—Application of Certain Labor Standards on Projects Financed Under Tax Credit Bonds

- Sec. 411. Application of certain labor standards on projects financed under tax credit bonds.

TITLE I—PRODUCTION INCENTIVES

SEC. 101. EXTENSION AND MODIFICATION OF RENEWABLE ENERGY CREDIT.

(a) EXTENSION OF CREDIT.—Each of the following provisions of section 45(d) (relating to qualified facilities) is amended by striking “January 1, 2009” and inserting “January 1, 2013”:

(1) Paragraph (1).

(2) Clauses (i) and (ii) of paragraph (2)(A).

(3) Clauses (i)(I) and (ii) of paragraph (3)(A).

(4) Paragraph (4).

(5) Paragraph (5).

(6) Paragraph (6).

(7) Paragraph (7).

(8) Subparagraphs (A) and (B) of paragraph (9).

(b) MODIFICATION OF CREDIT PHASEOUT.—

(1) REPEAL OF PHASEOUT.—Subsection (b) of section 45 is amended—

(A) by striking paragraph (1), and

(B) by striking “the 8 cent amount in paragraph (1),” in paragraph (2) thereof.

(2) LIMITATION BASED ON INVESTMENT IN FACILITY.—Subsection (b) of section 45 is amended by

1 inserting before paragraph (2) the following new
2 paragraph:

3 “(1) LIMITATION BASED ON INVESTMENT IN
4 FACILITY.—

5 “(A) IN GENERAL.—In the case of any
6 qualified facility originally placed in service
7 after December 31, 2008, the amount of the
8 credit determined under subsection (a) for any
9 taxable year with respect to electricity produced
10 at such facility shall not exceed the product
11 of—

12 “(i) the applicable percentage with re-
13 spect to such facility, multiplied by

14 “(ii) the eligible basis of such facility.

15 “(B) CARRYFORWARD OF UNUSED LIMITA-
16 TION AND EXCESS CREDIT.—

17 “(i) UNUSED LIMITATION.—If the
18 limitation imposed under subparagraph (A)
19 with respect to any facility for any taxable
20 year exceeds the credit determined under
21 subsection (a) (determined without regard
22 to this paragraph) with respect to such fa-
23 cility for such taxable year, the limitation
24 imposed under subparagraph (A) with re-
25 spect to such facility for the succeeding

1 taxable year shall be increased by the
2 amount of such excess.

3 “(ii) EXCESS CREDIT.—If the credit
4 determined under subsection (a) (deter-
5 mined without regard to this paragraph)
6 with respect to any facility for any taxable
7 year exceeds the limitation imposed under
8 subparagraph (A) with respect to such fa-
9 cility for such taxable year, the credit de-
10 termined under subsection (a) with respect
11 to such facility for the succeeding taxable
12 year (determined before the application of
13 subparagraph (A) for such succeeding tax-
14 able year) shall be increased by the
15 amount of such excess. With respect to any
16 facility, no amount may carried forward
17 under this clause to any taxable year be-
18 ginning after the 10-year period described
19 in subsection (a)(2)(A)(ii) with respect to
20 such facility.

21 “(C) APPLICABLE PERCENTAGE.—For
22 purposes of this paragraph—

23 “(i) IN GENERAL.—The term ‘applica-
24 ble percentage’ means, with respect to any
25 facility, the appropriate percentage pre-

1 scribed by the Secretary for the month in
2 which such facility is originally placed in
3 service.

4 “(ii) METHOD OF PRESCRIBING PER-
5 CENTAGES.—The percentages prescribed
6 by the Secretary for any month under
7 clause (i) shall be percentages which yield
8 over a 10-year period amounts of limita-
9 tion under subparagraph (A) which have a
10 present value equal to 35 percent of the el-
11 igible basis of the facility.

12 “(iii) METHOD OF DISCOUNTING.—
13 The present value under clause (ii) shall be
14 determined—

15 “(I) as of the last day of the 1st
16 year of the 10-year period referred to
17 in clause (ii),

18 “(II) by using a discount rate
19 equal to the average annual interest
20 rate of tax-exempt obligations having
21 a term of 10 years or more which are
22 issued during the month preceding the
23 month for which the percentage is
24 being prescribed, and

1 “(III) by taking into account the
2 limitation under subparagraph (A) for
3 any year on the last day of such year.

4 “(D) ELIGIBLE BASIS.—For purposes of
5 this paragraph, the term ‘eligible basis’ means,
6 with respect to any facility, the basis of such fa-
7 cility determined as of the time that such facil-
8 ity is originally placed in service.

9 “(E) SPECIAL RULE FOR FIRST AND LAST
10 YEAR OF CREDIT PERIOD.—In the case of any
11 taxable year any portion of which is not within
12 the 10-year period described in subsection
13 (a)(2)(A)(ii) with respect to any facility, the
14 amount of the limitation under subparagraph
15 (A) with respect to such facility shall be re-
16 duced by an amount which bears the same ratio
17 to the amount of such limitation (determined
18 without regard to this subparagraph) as such
19 portion of the taxable year which is not within
20 such period bears to the entire taxable year.”.

21 (c) EFFECTIVE DATE.—

22 (1) IN GENERAL.—Except as provided in para-
23 graph (2), the amendments made by this section
24 shall apply to property originally placed in service
25 after December 31, 2008.

1 (2) REPEAL OF CREDIT PHASEOUT.—The
2 amendments made by subsection (b)(1) shall apply
3 to taxable years ending after December 31, 2008.

4 **SEC. 102. PRODUCTION CREDIT FOR ELECTRICITY PRO-**
5 **DUCED FROM MARINE RENEWABLES.**

6 (a) IN GENERAL.—Paragraph (1) of section 45(c)
7 (relating to resources) is amended by striking “and” at
8 the end of subparagraph (G), by striking the period at
9 the end of subparagraph (H) and inserting “, and”, and
10 by adding at the end the following new subparagraph:

11 “(I) marine and hydrokinetic renewable en-
12 ergy.”.

13 (b) MARINE RENEWABLES.—Subsection (c) of sec-
14 tion 45 is amended by adding at the end the following
15 new paragraph:

16 “(10) MARINE AND HYDROKINETIC RENEW-
17 ABLE ENERGY.—

18 “(A) IN GENERAL.—The term ‘marine and
19 hydrokinetic renewable energy’ means energy
20 derived from—

21 “(i) waves, tides, and currents in
22 oceans, estuaries, and tidal areas,

23 “(ii) free flowing water in rivers,
24 lakes, and streams,

1 “(iii) free flowing water in an irriga-
2 tion system, canal, or other man-made
3 channel, including projects that utilize non-
4 mechanical structures to accelerate the
5 flow of water for electric power production
6 purposes, or

7 “(iv) differentials in ocean tempera-
8 ture (ocean thermal energy conversion).

9 “(B) EXCEPTIONS.—Such term shall not
10 include any energy which is derived from any
11 source which utilizes a dam, diversionary struc-
12 ture (except as provided in subparagraph
13 (A)(iii)), or impoundment for electric power
14 production purposes.”.

15 (c) DEFINITION OF FACILITY.—Subsection (d) of
16 section 45 is amended by adding at the end the following
17 new paragraph:

18 “(11) MARINE AND HYDROKINETIC RENEW-
19 ABLE ENERGY FACILITIES.—In the case of a facility
20 producing electricity from marine and hydrokinetic
21 renewable energy, the term ‘qualified facility’ means
22 any facility owned by the taxpayer—

23 “(A) which has a nameplate capacity rat-
24 ing of at least 150 kilowatts, and

1 “(B) which is originally placed in service
2 on or after the date of the enactment of this
3 paragraph and before January 1, 2013.”.

4 (d) CREDIT RATE.—Subparagraph (A) of section
5 45(b)(4) is amended by striking “or (9)” and inserting
6 “(9), or (11)”.

7 (e) COORDINATION WITH SMALL IRRIGATION
8 POWER.—Paragraph (5) of section 45(d), as amended by
9 this Act, is amended by striking “January 1, 2013” and
10 inserting “the date of the enactment of paragraph (11)”.

11 (f) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to electricity produced and sold
13 after the date of the enactment of this Act, in taxable
14 years ending after such date.

15 **SEC. 103. EXTENSION AND MODIFICATION OF ENERGY**
16 **CREDIT.**

17 (a) EXTENSION OF CREDIT.—

18 (1) SOLAR ENERGY PROPERTY.—Paragraphs
19 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) (relating
20 to energy credit) are each amended by striking
21 “January 1, 2009” and inserting “January 1,
22 2017”.

23 (2) FUEL CELL PROPERTY.—Subparagraph (E)
24 of section 48(c)(1) (relating to qualified fuel cell

1 property) is amended by striking “December 31,
2 2008” and inserting “December 31, 2016”.

3 (b) ALLOWANCE OF ENERGY CREDIT AGAINST AL-
4 TERNATIVE MINIMUM TAX.—Subparagraph (B) of section
5 38(c)(4) (relating to specified credits) is amended by strik-
6 ing “and” at the end of clause (iii), by striking the period
7 at the end of clause (iv) and inserting “, and”, and by
8 adding at the end the following new clause:

9 “(v) the credit determined under sec-
10 tion 46 to the extent that such credit is at-
11 tributable to the energy credit determined
12 under section 48.”.

13 (c) INCREASE OF CREDIT LIMITATION FOR FUEL
14 CELL PROPERTY.—Subparagraph (B) of section 48(c)(1)
15 is amended by striking “\$500” and inserting “\$1,500”.

16 (d) PUBLIC ELECTRIC UTILITY PROPERTY TAKEN
17 INTO ACCOUNT.—

18 (1) IN GENERAL.—Paragraph (3) of section
19 48(a) is amended by striking the second sentence
20 thereof.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Paragraph (1) of section 48(c) is
23 amended by striking subparagraph (D) and re-
24 designating subparagraph (E) as subparagraph
25 (D).

1 (B) Paragraph (2) of section 48(c) is
2 amended by striking subparagraph (D) and re-
3 designating subparagraph (E) as subparagraph
4 (D).

5 (e) CLERICAL AMENDMENTS.—Paragraphs (1)(B)
6 and (2)(B) of section 48(c) are each amended by striking
7 “paragraph (1)” and inserting “subsection (a)”.

8 (f) EFFECTIVE DATE.—

9 (1) IN GENERAL.—Except as otherwise pro-
10 vided in this subsection, the amendments made by
11 this section shall take effect on the date of the en-
12 actment of this Act.

13 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-
14 IMUM TAX.—The amendments made by subsection
15 (b) shall apply to credits determined under section
16 46 of the Internal Revenue Code of 1986 in taxable
17 years beginning after the date of the enactment of
18 this Act and to carrybacks of such credits.

19 (3) INCREASE IN LIMITATION FOR FUEL CELL
20 PROPERTY.—The amendment made by subsection
21 (c) shall apply to periods after the date of the enact-
22 ment of this Act, in taxable years ending after such
23 date, under rules similar to the rules of section
24 48(m) of the Internal Revenue Code of 1986 (as in

1 effect on the day before the date of the enactment
2 of the Revenue Reconciliation Act of 1990).

3 (4) PUBLIC ELECTRIC UTILITY PROPERTY.—

4 The amendments made by subsection (d) shall apply
5 to periods after June 20, 2007, in taxable years end-
6 ing after such date, under rules similar to the rules
7 of section 48(m) of the Internal Revenue Code of
8 1986 (as in effect on the day before the date of the
9 enactment of the Revenue Reconciliation Act of
10 1990).

11 **SEC. 104. NEW CLEAN RENEWABLE ENERGY BONDS.**

12 (a) IN GENERAL.—Part IV of subchapter A of chap-
13 ter 1 (relating to credits against tax) is amended by add-
14 ing at the end the following new subpart:

15 **“Subpart I—Qualified Tax Credit Bonds**

“Sec. 54A. Credit to holders of qualified tax credit bonds.

“Sec. 54B. New clean renewable energy bonds.

16 **“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED TAX CRED-**
17 **IT BONDS.**

18 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds
19 a qualified tax credit bond on one or more credit allowance
20 dates of the bond during any taxable year, there shall be
21 allowed as a credit against the tax imposed by this chapter
22 for the taxable year an amount equal to the sum of the
23 credits determined under subsection (b) with respect to
24 such dates.

1 “(b) AMOUNT OF CREDIT.—

2 “(1) IN GENERAL.—The amount of the credit
3 determined under this subsection with respect to any
4 credit allowance date for a qualified tax credit bond
5 is 25 percent of the annual credit determined with
6 respect to such bond.

7 “(2) ANNUAL CREDIT.—The annual credit de-
8 termined with respect to any qualified tax credit
9 bond is the product of—

10 “(A) the applicable credit rate, multiplied
11 by

12 “(B) the outstanding face amount of the
13 bond.

14 “(3) APPLICABLE CREDIT RATE.—For purposes
15 of paragraph (2), the applicable credit rate is the
16 rate which the Secretary estimates will permit the
17 issuance of qualified tax credit bonds with a speci-
18 fied maturity or redemption date without discount
19 and without interest cost to the qualified issuer. The
20 applicable credit rate with respect to any qualified
21 tax credit bond shall be determined as of the first
22 day on which there is a binding, written contract for
23 the sale or exchange of the bond.

24 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
25 DEMPTION.—In the case of a bond which is issued

1 during the 3-month period ending on a credit allow-
2 ance date, the amount of the credit determined
3 under this subsection with respect to such credit al-
4 lowance date shall be a ratable portion of the credit
5 otherwise determined based on the portion of the 3-
6 month period during which the bond is outstanding.
7 A similar rule shall apply when the bond is redeemed
8 or matures.

9 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

10 “(1) IN GENERAL.—The credit allowed under
11 subsection (a) for any taxable year shall not exceed
12 the excess of—

13 “(A) the sum of the regular tax liability
14 (as defined in section 26(b)) plus the tax im-
15 posed by section 55, over

16 “(B) the sum of the credits allowable
17 under this part (other than subpart C and this
18 subpart).

19 “(2) CARRYOVER OF UNUSED CREDIT.—If the
20 credit allowable under subsection (a) exceeds the
21 limitation imposed by paragraph (1) for such taxable
22 year, such excess shall be carried to the succeeding
23 taxable year and added to the credit allowable under
24 subsection (a) for such taxable year (determined be-

1 fore the application of paragraph (1) for such suc-
2 ceeding taxable year).

3 “(d) QUALIFIED TAX CREDIT BOND.—For purposes
4 of this section—

5 “(1) QUALIFIED TAX CREDIT BOND.—The term
6 ‘qualified tax credit bond’ means a new clean renew-
7 able energy bond which is part of an issue that
8 meets the requirements of paragraphs (2), (3), (4),
9 and (5).

10 “(2) SPECIAL RULES RELATING TO EXPENDI-
11 TURES.—

12 “(A) IN GENERAL.—An issue shall be
13 treated as meeting the requirements of this
14 paragraph if, as of the date of issuance, the
15 issuer reasonably expects—

16 “(i) 100 percent or more of the avail-
17 able project proceeds to be spent for 1 or
18 more qualified purposes within the 3-year
19 period beginning on such date of issuance,
20 and

21 “(ii) a binding commitment with a
22 third party to spend at least 10 percent of
23 such available project proceeds will be in-
24 curred within the 6-month period begin-
25 ning on such date of issuance.

1 “(B) FAILURE TO SPEND REQUIRED
2 AMOUNT OF BOND PROCEEDS WITHIN 3
3 YEARS.—

4 “(i) IN GENERAL.—To the extent that
5 less than 100 percent of the available
6 project proceeds of the issue are expended
7 by the close of the expenditure period for
8 1 or more qualified purposes, the issuer
9 shall redeem all of the nonqualified bonds
10 within 90 days after the end of such pe-
11 riod. For purposes of this paragraph, the
12 amount of the nonqualified bonds required
13 to be redeemed shall be determined in the
14 same manner as under section 142.

15 “(ii) EXPENDITURE PERIOD.—For
16 purposes of this subpart, the term ‘expen-
17 diture period’ means, with respect to any
18 issue, the 3-year period beginning on the
19 date of issuance. Such term shall include
20 any extension of such period under clause
21 (iii).

22 “(iii) EXTENSION OF PERIOD.—Upon
23 submission of a request prior to the expira-
24 tion of the expenditure period (determined
25 without regard to any extension under this

1 clause), the Secretary may extend such pe-
2 riod if the issuer establishes that the fail-
3 ure to expend the proceeds within the
4 original expenditure period is due to rea-
5 sonable cause and the expenditures for
6 qualified purposes will continue to proceed
7 with due diligence.

8 “(C) QUALIFIED PURPOSE.—For purposes
9 of this paragraph, the term ‘qualified purpose’
10 means a purpose specified in section 54B(a)(1).

11 “(D) REIMBURSEMENT.—For purposes of
12 this subtitle, available project proceeds of an
13 issue shall be treated as spent for a qualified
14 purpose if such proceeds are used to reimburse
15 the issuer for amounts paid for a qualified pur-
16 pose after the date that the Secretary makes an
17 allocation of bond limitation with respect to
18 such issue, but only if—

19 “(i) prior to the payment of the origi-
20 nal expenditure, the issuer declared its in-
21 tent to reimburse such expenditure with
22 the proceeds of a qualified tax credit bond,

23 “(ii) not later than 60 days after pay-
24 ment of the original expenditure, the issuer
25 adopts an official intent to reimburse the

1 original expenditure with such proceeds,
2 and

3 “(iii) the reimbursement is made not
4 later than 18 months after the date the
5 original expenditure is paid.

6 “(3) REPORTING.—An issue shall be treated as
7 meeting the requirements of this paragraph if the
8 issuer of qualified tax credit bonds submits reports
9 similar to the reports required under section 149(e).

10 “(4) SPECIAL RULES RELATING TO ARBI-
11 TRAGE.—

12 “(A) IN GENERAL.—An issue shall be
13 treated as meeting the requirements of this
14 paragraph if the issuer satisfies the require-
15 ments of section 148 with respect to the pro-
16 ceeds of the issue.

17 “(B) SPECIAL RULE FOR INVESTMENTS
18 DURING EXPENDITURE PERIOD.—An issue shall
19 not be treated as failing to meet the require-
20 ments of subparagraph (A) by reason of any in-
21 vestment of available project proceeds during
22 the expenditure period.

23 “(C) SPECIAL RULE FOR RESERVE
24 FUNDS.—An issue shall not be treated as fail-
25 ing to meet the requirements of subparagraph

1 (A) by reason of any fund which is expected to
2 be used to repay such issue if—

3 “(i) such fund is funded at a rate not
4 more rapid than equal annual installments,

5 “(ii) such fund is funded in a manner
6 that such fund will not exceed the amount
7 necessary to repay the issue if invested at
8 the maximum rate permitted under clause
9 (iii), and

10 “(iii) the yield on such fund is not
11 greater than the discount rate determined
12 under paragraph (5)(B) with respect to the
13 issue.

14 “(5) MATURITY LIMITATION.—

15 “(A) IN GENERAL.—An issue shall not be
16 treated as meeting the requirements of this
17 paragraph if the maturity of any bond which is
18 part of such issue exceeds the maximum term
19 determined by the Secretary under subpara-
20 graph (B).

21 “(B) MAXIMUM TERM.—During each cal-
22 endar month, the Secretary shall determine the
23 maximum term permitted under this paragraph
24 for bonds issued during the following calendar
25 month. Such maximum term shall be the term

1 which the Secretary estimates will result in the
2 present value of the obligation to repay the
3 principal on the bond being equal to 50 percent
4 of the face amount of such bond. Such present
5 value shall be determined using as a discount
6 rate the average annual interest rate of tax-ex-
7 empt obligations having a term of 10 years or
8 more which are issued during the month. If the
9 term as so determined is not a multiple of a
10 whole year, such term shall be rounded to the
11 next highest whole year.

12 “(e) OTHER DEFINITIONS.—For purposes of this
13 subchapter—

14 “(1) CREDIT ALLOWANCE DATE.—The term
15 ‘credit allowance date’ means—

16 “(A) March 15,

17 “(B) June 15,

18 “(C) September 15, and

19 “(D) December 15.

20 Such term includes the last day on which the bond
21 is outstanding.

22 “(2) BOND.—The term ‘bond’ includes any ob-
23 ligation.

1 “(3) STATE.—The term ‘State’ includes the
2 District of Columbia and any possession of the
3 United States.

4 “(4) AVAILABLE PROJECT PROCEEDS.—The
5 term ‘available project proceeds’ means—

6 “(A) the excess of—

7 “(i) the proceeds from the sale of an
8 issue, over

9 “(ii) the issuance costs financed by
10 the issue (to the extent that such costs do
11 not exceed 2 percent of such proceeds),
12 and

13 “(B) the proceeds from any investment of
14 the excess described in subparagraph (A).

15 “(f) CREDIT TREATED AS INTEREST.—For purposes
16 of this subtitle, the credit determined under subsection (a)
17 shall be treated as interest which is includible in gross in-
18 come.

19 “(g) S CORPORATIONS AND PARTNERSHIPS.—In the
20 case of a tax credit bond held by an S corporation or part-
21 nership, the allocation of the credit allowed by this section
22 to the shareholders of such corporation or partners of such
23 partnership shall be treated as a distribution.

24 “(h) BONDS HELD BY REGULATED INVESTMENT
25 COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

1 If any qualified tax credit bond is held by a regulated in-
2 vestment company or a real estate investment trust, the
3 credit determined under subsection (a) shall be allowed to
4 shareholders of such company or beneficiaries of such
5 trust (and any gross income included under subsection (f)
6 with respect to such credit shall be treated as distributed
7 to such shareholders or beneficiaries) under procedures
8 prescribed by the Secretary.

9 “(i) CREDITS MAY BE STRIPPED.—Under regula-
10 tions prescribed by the Secretary—

11 “(1) IN GENERAL.—There may be a separation
12 (including at issuance) of the ownership of a quali-
13 fied tax credit bond and the entitlement to the credit
14 under this section with respect to such bond. In case
15 of any such separation, the credit under this section
16 shall be allowed to the person who on the credit al-
17 lowance date holds the instrument evidencing the en-
18 titlement to the credit and not to the holder of the
19 bond.

20 “(2) CERTAIN RULES TO APPLY.—In the case
21 of a separation described in paragraph (1), the rules
22 of section 1286 shall apply to the qualified tax credit
23 bond as if it were a stripped bond and to the credit
24 under this section as if it were a stripped coupon.

1 **“SEC. 54B. NEW CLEAN RENEWABLE ENERGY BONDS.**

2 “(a) NEW CLEAN RENEWABLE ENERGY BOND.—For
3 purposes of this subpart, the term ‘new clean renewable
4 energy bond’ means any bond issued as part of an issue
5 if—

6 “(1) 100 percent of the available project pro-
7 ceeds of such issue are to be used for capital expend-
8 itures incurred by public power providers or coopera-
9 tive electric companies for one or more qualified re-
10 newable energy facilities,

11 “(2) the bond is issued by a qualified issuer,
12 and

13 “(3) the issuer designates such bond for pur-
14 poses of this section.

15 “(b) REDUCED CREDIT AMOUNT.—The annual credit
16 determined under section 54A(b) with respect to any new
17 clean renewable energy bond shall be 70 percent of the
18 amount so determined without regard to this subsection.

19 “(c) LIMITATION ON AMOUNT OF BONDS DES-
20 IGNATED.—

21 “(1) IN GENERAL.—The maximum aggregate
22 face amount of bonds which may be designated
23 under subsection (a) by any issuer shall not exceed
24 the limitation amount allocated under this sub-
25 section to such issuer.

1 “(2) NATIONAL LIMITATION ON AMOUNT OF
2 BONDS DESIGNATED.—There is a national new clean
3 renewable energy bond limitation of \$2,000,000,000
4 which shall be allocated by the Secretary as provided
5 in paragraph (3), except that—

6 “(A) not more than 60 percent thereof
7 may be allocated to qualified projects of public
8 power providers, and

9 “(B) not more than 40 percent thereof
10 may be allocated to qualified projects of cooper-
11 ative electric companies.

12 “(3) METHOD OF ALLOCATION.—

13 “(A) ALLOCATION AMONG PUBLIC POWER
14 PROVIDERS.—After the Secretary determines
15 the qualified projects of public power providers
16 which are appropriate for receiving an alloca-
17 tion of the national new clean renewable energy
18 bond limitation, the Secretary shall, to the max-
19 imum extent practicable, make allocations
20 among such projects in such manner that the
21 amount allocated to each such project bears the
22 same ratio to the cost of such project as the
23 limitation under subparagraph (2)(A) bears to
24 the cost of all such projects.

1 “(B) ALLOCATION AMONG COOPERATIVE
2 ELECTRIC COMPANIES.—The Secretary shall
3 make allocations of the amount of the national
4 new clean renewable energy bond limitation de-
5 scribed in paragraph (2)(B) among qualified
6 projects of cooperative electric companies in
7 such manner as the Secretary determines ap-
8 propriate.

9 “(d) DEFINITIONS.—For purposes of this section—

10 “(1) QUALIFIED RENEWABLE ENERGY FACIL-
11 ITY.—The term ‘qualified renewable energy facility’
12 means a qualified facility (as determined under sec-
13 tion 45(d) without regard to paragraphs (8) and
14 (10) thereof and to any placed in service date)
15 owned by a public power provider or a cooperative
16 electric company.

17 “(2) PUBLIC POWER PROVIDER.—The term
18 ‘public power provider’ means a State utility with a
19 service obligation, as such terms are defined in sec-
20 tion 217 of the Federal Power Act (as in effect on
21 the date of the enactment of this paragraph).

22 “(3) COOPERATIVE ELECTRIC COMPANY.—The
23 term ‘cooperative electric company’ means a mutual
24 or cooperative electric company described in section
25 501(c)(12) or section 1381(a)(2)(C).

1 “(4) CLEAN RENEWABLE ENERGY BOND LEND-
2 ER.—The term ‘clean renewable energy bond lender’
3 means a lender which is a cooperative which is
4 owned by, or has outstanding loans to, 100 or more
5 cooperative electric companies and is in existence on
6 February 1, 2002, and shall include any affiliated
7 entity which is controlled by such lender.

8 “(5) QUALIFIED ISSUER.—The term ‘qualified
9 issuer’ means a public power provider, a cooperative
10 electric company, a clean renewable energy bond
11 lender, or a not-for-profit electric utility which has
12 received a loan or loan guarantee under the Rural
13 Electrification Act.”.

14 (b) REPORTING.—Subsection (d) of section 6049 (re-
15 lating to returns regarding payments of interest) is
16 amended by adding at the end the following new para-
17 graph:

18 “(9) REPORTING OF CREDIT ON QUALIFIED
19 TAX CREDIT BONDS.—

20 “(A) IN GENERAL.—For purposes of sub-
21 section (a), the term ‘interest’ includes amounts
22 includible in gross income under section 54A
23 and such amounts shall be treated as paid on
24 the credit allowance date (as defined in section
25 54A(e)(1)).

1 “(B) REPORTING TO CORPORATIONS,
2 ETC.—Except as otherwise provided in regula-
3 tions, in the case of any interest described in
4 subparagraph (A) of this paragraph, subsection
5 (b)(4) of this section shall be applied without
6 regard to subparagraphs (A), (H), (I), (J), (K),
7 and (L)(i).

8 “(C) REGULATORY AUTHORITY.—The Sec-
9 retary may prescribe such regulations as are
10 necessary or appropriate to carry out the pur-
11 poses of this paragraph, including regulations
12 which require more frequent or more detailed
13 reporting.”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) Sections 54(c)(2) and 1400N(l)(3)(B) are
16 each amended by striking “subpart C” and inserting
17 “subparts C and I”.

18 (2) Section 1397E(c)(2) is amended by striking
19 “subpart H” and inserting “subparts H and I”.

20 (3) Section 6401(b)(1) is amended by striking
21 “and H” and inserting “H, and I”.

22 (4) The heading of subpart H of part IV of
23 subchapter A of chapter 1 is amended by striking
24 “**Certain Bonds**” and inserting “**Clean Re-**
25 **newable Energy Bonds**”.

1 (5) The table of subparts for part IV of sub-
2 chapter A of chapter 1 is amended by striking the
3 item relating to subpart H and inserting the fol-
4 lowing new items:

“SUBPART H. NONREFUNDABLE CREDIT TO HOLDERS OF CLEAN RENEWABLE
ENERGY BONDS.

“SUBPART I. QUALIFIED TAX CREDIT BONDS.”.

5 (d) EFFECTIVE DATES.—The amendments made by
6 this section shall apply to obligations issued after the date
7 of the enactment of this Act.

8 **SEC. 105. EXTENSION AND MODIFICATION OF SPECIAL**
9 **RULE TO IMPLEMENT FERC AND STATE**
10 **ELECTRIC RESTRUCTURING POLICY.**

11 (a) EXTENSION FOR QUALIFIED ELECTRIC UTILI-
12 TIES.—

13 (1) IN GENERAL.—Paragraph (3) of section
14 451(i) (relating to special rule for sales or disposi-
15 tions to implement Federal Energy Regulatory Com-
16 mission or State electric restructuring policy) is
17 amended by striking “before January 1, 2008,” and
18 inserting “before January 1, 2010, by a qualified
19 electric utility,”.

20 (2) QUALIFIED ELECTRIC UTILITY.—Subsection
21 (i) of section 451 is amended by redesignating para-
22 graphs (6) through (10) as paragraphs (7) through

1 (11), respectively, and by inserting after paragraph
2 (5) the following new paragraph:

3 “(6) QUALIFIED ELECTRIC UTILITY.—For pur-
4 poses of this subsection, the term ‘qualified electric
5 utility’ means—

6 “(A) an electric utility (as defined in sec-
7 tion 3(22) of the Federal Power Act (16 U.S.C.
8 796(22)), and

9 “(B) any person in the same holding com-
10 pany system (as defined in section 1262(9) of
11 the Public Utility Holding Company Act of
12 2005 (42 U.S.C. 16451(9)) as an electric utility
13 referred to subparagraph (A).”.

14 (b) EXTENSION OF PERIOD FOR TRANSFER OF
15 OPERATIONAL CONTROL AUTHORIZED BY FERC.—
16 Clause (ii) of section 451(i)(4)(B) is amended by striking
17 “December 31, 2007” and inserting “the date which is
18 4 years after the close of the taxable year in which the
19 transaction occurs”.

20 (c) PROPERTY LOCATED OUTSIDE THE UNITED
21 STATES NOT TREATED AS EXEMPT UTILITY PROP-
22 erty.—Paragraph (5) of section 451(i) is amended by
23 adding at the end the following new subparagraph:

24 “(C) EXCEPTION FOR PROPERTY LOCATED
25 OUTSIDE THE UNITED STATES.—The term ‘ex-

1 empt utility property’ shall not include any
2 property which is located outside the United
3 States.”.

4 (d) EFFECTIVE DATES.—

5 (1) EXTENSION.—The amendment made by
6 subsection (a) shall apply to transactions after De-
7 cember 31, 2007.

8 (2) TRANSFERS OF OPERATIONAL CONTROL.—
9 The amendment made by subsection (b) shall take
10 effect as if included in section 909 of the American
11 Jobs Creation Act of 2004.

12 (3) EXCEPTION FOR PROPERTY LOCATED OUT-
13 SIDE THE UNITED STATES.—The amendment made
14 by subsection (c) shall apply to transactions after
15 the date of the enactment of this Act.

16 **SEC. 106. REPEAL OF DOLLAR LIMITATION AND ALLOW-**
17 **ANCE AGAINST ALTERNATIVE MINIMUM TAX**
18 **FOR RESIDENTIAL SOLAR AND FUEL CELL**
19 **PROPERTY CREDIT.**

20 (a) REPEAL OF MAXIMUM DOLLAR LIMITATION.—

21 (1) IN GENERAL.—Subsection (b) of section
22 25D (relating to limitations) is amended to read as
23 follows:

24 “(b) CERTIFICATION OF SOLAR WATER HEATING
25 PROPERTY.—No credit shall be allowed under this section

1 for an item of property described in subsection (d)(1) un-
2 less such property is certified for performance by the non-
3 profit Solar Rating Certification Corporation or a com-
4 parable entity endorsed by the government of the State
5 in which such property is installed.”.

6 (2) CONFORMING AMENDMENTS.—

7 (A) Subsection (e) of section 25D is
8 amended by striking paragraph (4) and by re-
9 designating paragraphs (5) through (9) as
10 paragraphs (4) through (8), respectively.

11 (B) Paragraph (1) of section 25C(e) is
12 amended by striking “(8), and (9)” and insert-
13 ing “and (8) (and paragraph (4) as in effect be-
14 fore its repeal by the Renewable Energy and
15 Energy Conservation Tax Act of 2007)”.

16 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
17 IMUM TAX.—

18 (1) IN GENERAL.—Subsection (c) of section
19 25D is amended to read as follows:

20 “(c) LIMITATION BASED ON AMOUNT OF TAX;
21 CARRYFORWARD OF UNUSED CREDIT.—

22 “(1) LIMITATION BASED ON AMOUNT OF
23 TAX.—In the case of a taxable year to which section
24 26(a)(2) does not apply, the credit allowed under

1 subsection (a) for the taxable year shall not exceed
2 the excess of—

3 “(A) the sum of the regular tax liability
4 (as defined in section 26(b)) plus the tax im-
5 posed by section 55, over

6 “(B) the sum of the credits allowable
7 under this subpart (other than this section) and
8 section 27 for the taxable year.

9 “(2) CARRYFORWARD OF UNUSED CREDIT.—

10 “(A) RULE FOR YEARS IN WHICH ALL
11 PERSONAL CREDITS ALLOWED AGAINST REG-
12 ULAR AND ALTERNATIVE MINIMUM TAX.—In
13 the case of a taxable year to which section
14 26(a)(2) applies, if the credit allowable under
15 subsection (a) exceeds the limitation imposed by
16 section 26(a)(2) for such taxable year reduced
17 by the sum of the credits allowable under this
18 subpart (other than this section), such excess
19 shall be carried to the succeeding taxable year
20 and added to the credit allowable under sub-
21 section (a) for such succeeding taxable year.

22 “(B) RULE FOR OTHER YEARS.—In the
23 case of a taxable year to which section 26(a)(2)
24 does not apply, if the credit allowable under
25 subsection (a) exceeds the limitation imposed by

1 paragraph (1) for such taxable year, such ex-
2 cess shall be carried to the succeeding taxable
3 year and added to the credit allowable under
4 subsection (a) for such succeeding taxable
5 year.”.

6 (2) CONFORMING AMENDMENTS.—

7 (A) Section 23(b)(4)(B) is amended by in-
8 serting “and section 25D” after “this section”.

9 (B) Section 24(b)(3)(B) is amended by
10 striking “and 25B” and inserting “, 25B, and
11 25D”.

12 (C) Section 25B(g)(2) is amended by strik-
13 ing “section 23” and inserting “sections 23 and
14 25D”.

15 (D) Section 26(a)(1) is amended by strik-
16 ing “and 25B” and inserting “25B, and 25D”.

17 (c) EFFECTIVE DATES.—

18 (1) IN GENERAL.—Except as otherwise pro-
19 vided in this subsection, the amendments made by
20 this section shall apply to expenditures made after
21 the date of the enactment of this Act.

22 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-
23 IMUM TAX.—

24 (A) IN GENERAL.—The amendments made
25 by subsection (b) shall apply to taxable years

1 beginning after the date of the enactment of
2 this Act.

3 (B) APPLICATION OF EGTRRA SUNSET.—

4 The amendments made by subsection (b)(2)
5 shall be subject to title IX of the Economic
6 Growth and Tax Relief Reconciliation Act of
7 2001 in the same manner as the provisions of
8 such Act to which such amendments relate.

9 **TITLE II—CONSERVATION**
10 **Subtitle A—Transportation**

11 **SEC. 201. CREDIT FOR PLUG-IN HYBRID VEHICLES.**

12 (a) IN GENERAL.—Subpart B of part IV of sub-
13 chapter A of chapter 1 (relating to other credits) is
14 amended by adding at the end the following new section:

15 **“SEC. 30D. PLUG-IN HYBRID VEHICLES.**

16 “(a) ALLOWANCE OF CREDIT.—There shall be al-
17 lowed as a credit against the tax imposed by this chapter
18 for the taxable year an amount equal to the sum of the
19 credit amounts determined under subsection (b) with re-
20 spect to each qualified plug-in hybrid vehicle placed in
21 service by the taxpayer during the taxable year.

22 “(b) PER VEHICLE DOLLAR LIMITATION.—

23 “(1) IN GENERAL.—The amount determined
24 under this subsection with respect to any qualified
25 plug-in hybrid vehicle is the sum of the amounts de-

1 terminated under paragraphs (2) and (3) with respect
2 to such vehicle.

3 “(2) BASE AMOUNT.—The amount determined
4 under this paragraph is \$4,000.

5 “(3) BATTERY CAPACITY.—In the case of vehi-
6 cle which draws propulsion energy from a battery
7 with not less than 5 kilowatt hours of capacity, the
8 amount determined under this paragraph is \$200,
9 plus \$200 for each kilowatt hour of capacity in ex-
10 cess of 5 kilowatt hours. The amount determined
11 under this paragraph shall not exceed \$2,000.

12 “(c) APPLICATION WITH OTHER CREDITS.—

13 “(1) BUSINESS CREDIT TREATED AS PART OF
14 GENERAL BUSINESS CREDIT.—So much of the credit
15 which would be allowed under subsection (a) for any
16 taxable year (determined without regard to this sub-
17 section) that is attributable to property of a char-
18 acter subject to an allowance for depreciation shall
19 be treated as a credit listed in section 38(b) for such
20 taxable year (and not allowed under subsection (a)).

21 “(2) PERSONAL CREDIT.—

22 “(A) IN GENERAL.—For purposes of this
23 title, the credit allowed under subsection (a) for
24 any taxable year (determined after application
25 of paragraph (1)) shall be treated as a credit

1 allowable under subpart A for such taxable
2 year.

3 “(B) LIMITATION BASED ON AMOUNT OF
4 TAX.—In the case of a taxable year to which
5 section 26(a)(2) does not apply, the credit al-
6 lowed under subsection (a) for any taxable year
7 (determined after application of paragraph (1))
8 shall not exceed the excess of—

9 “(i) the sum of the regular tax liabil-
10 ity (as defined in section 26(b)) plus the
11 tax imposed by section 55, over

12 “(ii) the sum of the credits allowable
13 under subpart A (other than this section
14 and sections 23 and 25D) and section 27
15 for the taxable year.

16 “(d) QUALIFIED PLUG-IN HYBRID VEHICLE.—For
17 purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified plug-in
19 hybrid vehicle’ means a motor vehicle (as defined in
20 section 30(c)(2))—

21 “(A) the original use of which commences
22 with the taxpayer,

23 “(B) which is acquired for use or lease by
24 the taxpayer and not for resale,

25 “(C) which is made by a manufacturer,

1 “(D) which has a gross vehicle weight rat-
2 ing of less than 14,000 pounds,

3 “(E) which has received a certificate of
4 conformity under the Clean Air Act and meets
5 or exceeds the Bin 5 Tier II emission standard
6 established in regulations prescribed by the Ad-
7 ministrator of the Environmental Protection
8 Agency under section 202(i) of the Clean Air
9 Act for that make and model year vehicle,

10 “(F) which is propelled to a significant ex-
11 tent by an electric motor which draws electricity
12 from a battery which—

13 “(i) has a capacity of not less than 4
14 kilowatt hours, and

15 “(ii) is capable of being recharged
16 from an external source of electricity, and

17 “(G) which either—

18 “(i) is also propelled to a significant
19 extent by other than an electric motor, or

20 “(ii) has a significant onboard source
21 of electricity which also recharges the bat-
22 tery referred to in subparagraph (F).

23 “(2) EXCEPTION.—The term ‘qualified plug-in
24 hybrid vehicle’ shall not include any vehicle which is
25 not a passenger automobile or light truck if such ve-

1 hicle has a gross vehicle weight rating of less than
2 8,500 pounds.

3 “(3) OTHER TERMS.—The terms ‘passenger
4 automobile’, ‘light truck’, and ‘manufacturer’ have
5 the meanings given such terms in regulations pre-
6 scribed by the Administrator of the Environmental
7 Protection Agency for purposes of the administra-
8 tion of title II of the Clean Air Act (42 U.S.C. 7521
9 et seq.).

10 “(4) BATTERY CAPACITY.—The term ‘capacity’
11 means, with respect to any battery, the quantity of
12 electricity which the battery is capable of storing, ex-
13 pressed in kilowatt hours, as measured from a 100
14 percent state of charge to a 0 percent state of
15 charge.

16 “(e) LIMITATION ON NUMBER OF QUALIFIED PLUG-
17 IN HYBRID VEHICLES ELIGIBLE FOR CREDIT.—

18 “(1) IN GENERAL.—In the case of a qualified
19 plug-in hybrid vehicle sold during the phaseout pe-
20 riod, only the applicable percentage of the credit oth-
21 erwise allowable under subsection (a) shall be al-
22 lowed.

23 “(2) PHASEOUT PERIOD.—For purposes of this
24 subsection, the phaseout period is the period begin-
25 ning with the second calendar quarter following the

1 calendar quarter which includes the first date on
2 which the number of qualified plug-in hybrid vehicles
3 manufactured by the manufacturer of the vehicle re-
4 ferred to in paragraph (1) sold for use in the United
5 States after the date of the enactment of this sec-
6 tion, is at least 60,000.

7 “(3) APPLICABLE PERCENTAGE.—For purposes
8 of paragraph (1), the applicable percentage is—

9 “(A) 50 percent for the first 2 calendar
10 quarters of the phaseout period,

11 “(B) 25 percent for the 3d and 4th cal-
12 endar quarters of the phaseout period, and

13 “(C) 0 percent for each calendar quarter
14 thereafter.

15 “(4) CONTROLLED GROUPS.—Rules similar to
16 the rules of section 30B(f)(4) shall apply for pur-
17 poses of this subsection.

18 “(f) SPECIAL RULES.—

19 “(1) BASIS REDUCTION.—The basis of any
20 property for which a credit is allowable under sub-
21 section (a) shall be reduced by the amount of such
22 credit (determined without regard to subsection (c)).

23 “(2) RECAPTURE.—The Secretary shall, by reg-
24 ulations, provide for recapturing the benefit of any
25 credit allowable under subsection (a) with respect to

1 any property which ceases to be property eligible for
2 such credit.

3 “(3) PROPERTY USED OUTSIDE UNITED
4 STATES, ETC., NOT QUALIFIED.—No credit shall be
5 allowed under subsection (a) with respect to any
6 property referred to in section 50(b)(1) or with re-
7 spect to the portion of the cost of any property
8 taken into account under section 179.

9 “(4) ELECTION NOT TO TAKE CREDIT.—No
10 credit shall be allowed under subsection (a) for any
11 vehicle if the taxpayer elects to not have this section
12 apply to such vehicle.

13 “(5) PROPERTY USED BY TAX-EXEMPT ENTITY;
14 INTERACTION WITH AIR QUALITY AND MOTOR VEHI-
15 CLE SAFETY STANDARDS.—Rules similar to the rules
16 of paragraphs (6) and (10) of section 30B(h) shall
17 apply for purposes of this section.”.

18 (b) PLUG-IN VEHICLES NOT TREATED AS NEW
19 QUALIFIED HYBRID VEHICLES.—Section 30B(d)(3) is
20 amended by adding at the end the following new subpara-
21 graph:

22 “(D) EXCLUSION OF PLUG-IN VEHICLES.—
23 Any vehicle with respect to which a credit is al-
24 lowable under section 30D (determined without

1 regard to subsection (c) thereof) shall not be
2 taken into account under this section.”.

3 (c) CREDIT MADE PART OF GENERAL BUSINESS
4 CREDIT.—Section 38(b) is amended by striking “and” at
5 the end of paragraph (30), by striking the period at the
6 end of paragraph (31) and inserting “, plus”, and by add-
7 ing at the end the following new paragraph:

8 “(32) the portion of the plug-in hybrid vehicle
9 credit to which section 30D(c)(1) applies.”.

10 (d) CONFORMING AMENDMENTS.—

11 (1)(A) Section 24(b)(3)(B), as amended by this
12 Act, is amended by striking “and 25D” and insert-
13 ing “25D, and 30D”.

14 (B) Section 25(e)(1)(C)(ii) is amended by in-
15 serting “30D,” after “25D,”.

16 (C) Section 25B(g)(2), as amended by this Act,
17 is amended by striking “and 25D” and inserting “,
18 25D, and 30D”.

19 (D) Section 26(a)(1), as amended by this Act,
20 is amended by striking “and 25D” and inserting
21 “25D, and 30D”.

22 (E) Section 1400C(d)(2) is amended by striking
23 “and 25D” and inserting “25D, and 30D”.

24 (2) Section 1016(a) is amended by striking
25 “and” at the end of paragraph (37), by striking the

1 period at the end of paragraph (38) and inserting “,
2 and”, and by adding at the end the following new
3 paragraph:

4 “(38) to the extent provided in section
5 30D(f)(1).”.

6 (3) Section 6501(m) is amended by inserting
7 “30D(f)(4),” after “30C(e)(5),”.

8 (4) The table of sections for subpart B of part
9 IV of subchapter A of chapter 1 is amended by add-
10 ing at the end the following new item:

“Sec. 30D. Plug-in hybrid vehicles.”.

11 (e) TREATMENT OF ALTERNATIVE MOTOR VEHICLE
12 CREDIT AS A PERSONAL CREDIT.—

13 (1) IN GENERAL.—Paragraph (2) of section
14 30B(g) is amended to read as follows:

15 “(2) PERSONAL CREDIT.—The credit allowed
16 under subsection (a) for any taxable year (after ap-
17 plication of paragraph (1)) shall be treated as a
18 credit allowable under subpart A for such taxable
19 year.”.

20 (2) CONFORMING AMENDMENT.—Subparagraph
21 (A) of section 30C(d)(2) is amended by striking
22 “sections 27, 30, and 30B” and inserting “sections
23 27 and 30”.

24 (f) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, the amendments made by
3 this section shall apply to taxable years beginning
4 after December 31, 2007.

5 (2) TREATMENT OF ALTERNATIVE MOTOR VE-
6 HICLE CREDIT AS PERSONAL CREDIT.—The amend-
7 ments made by subsection (e) shall apply to taxable
8 years beginning after December 31, 2006.

9 (g) APPLICATION OF EGTRRA SUNSET.—The
10 amendments made by subsection (d)(1) shall be subject
11 to title IX of the Economic Growth and Tax Relief Rec-
12 onciliation Act of 2001 in the same manner as the provi-
13 sions of such Act to which such amendments relate.

14 **SEC. 202. EXTENSION AND MODIFICATION OF ALTER-**
15 **NATIVE FUEL VEHICLE REFUELING PROP-**
16 **ERTY CREDIT.**

17 (a) INCREASE IN CREDIT AMOUNT.—Section 30C
18 (relating to alternative fuel vehicle refueling property cred-
19 it) is amended—

20 (1) by striking “30 percent” in subsection (a)
21 and inserting “50 percent”, and

22 (2) by striking “\$30,000” in subsection (b)(1)
23 and inserting “\$50,000”.

24 (b) EXTENSION OF CREDIT.—Paragraph (2) of sec-
25 tion 30C(g) (relating to termination) is amended by strik-

1 ing “December 31, 2009” and inserting “December 31,
2 2010”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to property placed in service after
5 the date of the enactment of this Act, in taxable years
6 ending after such date.

7 **SEC. 203. EXTENSION AND MODIFICATION OF CREDITS FOR**
8 **BIODIESEL AND RENEWABLE DIESEL.**

9 (a) IN GENERAL.—Sections 40A(g), 6426(c)(6), and
10 6427(e)(5)(B) are each amended by striking “December
11 31, 2008” and inserting “December 31, 2010”.

12 (b) UNIFORM TREATMENT OF DIESEL PRODUCED
13 FROM BIOMASS.—Paragraph (3) of section 40A(f) is
14 amended—

15 (1) by striking “using a thermal
16 depolymerization process”, and

17 (2) by striking “or D396” in subparagraph (B).

18 (c) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as provided in para-
20 graph (2), the amendments made by this section
21 shall apply to fuel produced, and sold or used, after
22 the date of the enactment of this Act.

23 (2) UNIFORM TREATMENT OF DIESEL PRO-
24 DUCED FROM BIOMASS.—The amendments made by
25 subsection (b) shall apply to fuel produced, and sold

1 or used, after the date which is 30 days after the
2 date of the enactment of this Act.

3 **SEC. 204. CREDIT FOR PRODUCTION OF CELLULOSIC ALCO-**
4 **HOL.**

5 (a) IN GENERAL.—Subsection (b) of section 40 is
6 amended by adding at the end the following new para-
7 graph:

8 “(5) CELLULOSIC ALCOHOL FUEL PRODUCER
9 CREDIT.—

10 “(A) IN GENERAL.—The cellulosic alcohol
11 fuel producer credit of any cellulosic alcohol fuel
12 producer for any taxable year is 50 cents for
13 each gallon of qualified cellulosic fuel produc-
14 tion of such producer.

15 “(B) QUALIFIED CELLULOSIC FUEL PRO-
16 Duction.—For purposes of this paragraph, the
17 term ‘qualified cellulosic fuel production’ means
18 any cellulosic alcohol which is produced by a
19 cellulosic alcohol fuel producer, and which dur-
20 ing the taxable year—

21 “(i) is sold by such producer to an-
22 other person—

23 “(I) for use by such other person
24 in the production of a qualified mix-
25 ture in such other person’s trade or

1 business (other than casual off-farm
2 production),

3 “(II) for use by such other per-
4 son as a fuel in a trade or business,
5 or

6 “(III) who sells such alcohol at
7 retail to another person and places
8 such alcohol in the fuel tank of such
9 other person, or

10 “(ii) is used or sold by such producer
11 for any purpose described in clause (i).

12 “(C) CELLULOSIC ALCOHOL.—For pur-
13 poses of this paragraph, the term ‘cellulosic al-
14 cohol’ means any alcohol which—

15 “(i) is produced in the United States
16 for use as a fuel in the United States, and

17 “(ii) is derived from any
18 lignocellulosic or hemicellulosic matter that
19 is available on a renewable or recurring
20 basis.

21 For purposes of this subparagraph, the term
22 ‘United States’ includes any possession of the
23 United States.

24 “(D) CELLULOSIC ALCOHOL FUEL PRO-
25 DUCER.—For purposes of this paragraph, the

1 term ‘cellulosic alcohol fuel producer’ means
2 any person who produces cellulosic alcohol in a
3 trade or business and is registered with the
4 Secretary as a cellulosic alcohol fuel producer.

5 “(E) ADDITIONAL DISTILLATION EX-
6 CLUDED.—The qualified cellulosic fuel produc-
7 tion of any producer for any taxable year shall
8 not include any alcohol which is purchased by
9 the producer and with respect to which such
10 producer increases the proof of the alcohol by
11 additional distillation.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Subsection (a) of section 40 is amended by
14 striking “plus” at the end of paragraph (1), by
15 striking “plus” at the end of paragraph (2), by
16 striking the period at the end of paragraph (3) and
17 inserting “, plus”, and by adding at the end the fol-
18 lowing new paragraph:

19 “(4) in the case of a cellulosic alcohol fuel pro-
20 ducer, the cellulosic alcohol fuel producer credit.”.

21 (2) Clause (ii) of section 40(d)(3)(C) is amend-
22 ed by striking “subsection (b)(4)(B)” and inserting
23 “paragraph (4)(B) or (5)(B) of subsection (b)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to alcohol produced after December
3 31, 2007.

4 **SEC. 205. EXTENSION OF TRANSPORTATION FRINGE BEN-**
5 **EFIT TO BICYCLE COMMUTERS.**

6 (a) IN GENERAL.—Paragraph (1) of section 132(f)
7 of the Internal Revenue Code of 1986 (relating to general
8 rule for qualified transportation fringe) is amended by
9 adding at the end the following:

10 “(D) Any qualified bicycle commuting re-
11 imbursement.”.

12 (b) LIMITATION ON EXCLUSION.—Paragraph (2) of
13 section 132(f) of such Code is amended by striking “and”
14 at the end of subparagraph (A), by striking the period
15 at the end of subparagraph (B) and inserting “, and”,
16 and by adding at the end the following new subparagraph:

17 “(C) the applicable annual limitation in
18 the case of any qualified bicycle commuting re-
19 imbursement.”.

20 (c) DEFINITIONS.—Paragraph (5) of section 132(f)
21 of such Code (relating to definitions) is amended by add-
22 ing at the end the following:

23 “(F) DEFINITIONS RELATED TO BICYCLE
24 COMMUTING REIMBURSEMENT.—

1 “(i) QUALIFIED BICYCLE COMMUTING
2 REIMBURSEMENT.—The term ‘qualified bi-
3 cycle commuting reimbursement’ means,
4 with respect to any calendar year, any em-
5 ployer reimbursement during the 15-month
6 period beginning with the first day of such
7 calendar year for reasonable expenses in-
8 curred by the employee during such cal-
9 endar year for the purchase of a bicycle
10 and bicycle improvements, repair, and stor-
11 age, if such bicycle is regularly used for
12 travel between the employee’s residence
13 and place of employment.

14 “(ii) APPLICABLE ANNUAL LIMITA-
15 TION.—The term ‘applicable annual limita-
16 tion’ means, with respect to any employee
17 for any calendar year, the product of \$20
18 multiplied by the number of qualified bicy-
19 cle commuting months during such year.

20 “(iii) QUALIFIED BICYCLE COM-
21 MUTING MONTH.—The term ‘qualified bi-
22 cycle commuting month’ means, with re-
23 spect to any employee, any month during
24 which such employee—

1 “(I) regularly uses the bicycle for
2 a substantial portion of the travel be-
3 tween the employee’s residence and
4 place of employment, and
5 “(II) does not receive any benefit
6 described in subparagraph (A), (B),
7 or (C) of paragraph (1).”.

8 (d) CONSTRUCTIVE RECEIPT OF BENEFIT.—Para-
9 graph (4) of section 132(f) is amended by inserting
10 “(other than a qualified bicycle commuting reimburse-
11 ment)” after “qualified transportation fringe”.

12 (e) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2007.

15 **SEC. 206. MODIFICATION OF LIMITATION ON AUTOMOBILE**
16 **DEPRECIATION.**

17 (a) IN GENERAL.—Paragraph (5) of section 280F(d)
18 of the Internal Revenue Code of 1986 (defining passenger
19 automobile) is amended to read as follows:

20 “(5) PASSENGER AUTOMOBILE.—

21 “(A) IN GENERAL.—Except as provided in
22 subparagraph (B), the term ‘passenger auto-
23 mobile’ means any 4-wheeled vehicle—

24 “(i) which is primarily designed or
25 which can be used to carry passengers over

1 public streets, roads, or highways (except
2 any vehicle operated exclusively on a rail or
3 rails), and

4 “(ii) which is rated at not more than
5 14,000 pounds gross vehicle weight.

6 “(B) EXCEPTIONS.—The term ‘passenger
7 automobile’ shall not include—

8 “(i) any exempt-design vehicle, and

9 “(ii) any exempt-use vehicle.

10 “(C) EXEMPT-DESIGN VEHICLE.—The
11 term ‘exempt-design vehicle’ means—

12 “(i) any vehicle which, by reason of its
13 nature or design, is not likely to be used
14 more than a de minimis amount for per-
15 sonal purposes, and

16 “(ii) any vehicle—

17 “(I) which is designed to have a
18 seating capacity of more than 9 per-
19 sons behind the driver’s seat,

20 “(II) which is equipped with a
21 cargo area of at least 5 feet in interior
22 length which is an open area or is de-
23 signed for use as an open area but is
24 enclosed by a cap and is not readily

1 accessible directly from the passenger
2 compartment, or

3 “(III) has an integral enclosure,
4 fully enclosing the driver compartment
5 and load carrying device, does not
6 have seating rearward of the driver’s
7 seat, and has no body section pro-
8 truding more than 30 inches ahead of
9 the leading edge of the windshield.

10 “(D) EXEMPT-USE VEHICLE.—The term
11 ‘exempt-use vehicle’ means—

12 “(i) any ambulance, hearse, or com-
13 bination ambulance-hearse used by the tax-
14 payer directly in a trade or business,

15 “(ii) any vehicle used by the taxpayer
16 directly in the trade or business of trans-
17 porting persons or property for compensa-
18 tion or hire, and

19 “(iii) any truck or van if substantially
20 all of the use of such vehicle by the tax-
21 payer is directly in—

22 “(I) a farming business (within
23 the meaning of section 263A(e)(4)),

1 “(II) the transportation of a sub-
2 stantial amount of equipment, sup-
3 plies, or inventory, or

4 “(III) the moving or delivery of
5 property which requires substantial
6 cargo capacity.

7 “(E) RECAPTURE.—In the case of any ve-
8 hicle which is not a passenger automobile by
9 reason of being an exempt-use vehicle, if such
10 vehicle ceases to be an exempt-use vehicle in
11 any taxable year after the taxable year in which
12 such vehicle is placed in service, a rule similar
13 to the rule of subsection (b) shall apply.”.

14 (b) CONFORMING AMENDMENT.—Section 179(b) of
15 such Code (relating to limitations) is amended by striking
16 paragraph (6).

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to property placed in service after
19 December 31, 2007.

20 **SEC. 207. RESTRUCTURING OF NEW YORK LIBERTY ZONE**
21 **TAX CREDITS.**

22 (a) IN GENERAL.—Part I of subchapter Y of chapter
23 1 is amended by redesignating section 1400L as 1400K
24 and by adding at the end the following new section:

1 **“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.**

2 “(a) IN GENERAL.—In the case of a New York Lib-
3 erty Zone governmental unit, there shall be allowed as a
4 credit against any taxes imposed for any payroll period
5 by section 3402 for which such governmental unit is liable
6 under section 3403 an amount equal to so much of the
7 portion of the qualifying project expenditure amount allo-
8 cated under subsection (b)(3) to such governmental unit
9 for the calendar year as is allocated by such governmental
10 unit to such period under subsection (b)(4).

11 “(b) QUALIFYING PROJECT EXPENDITURE
12 AMOUNT.—For purposes of this section—

13 “(1) IN GENERAL.—The term ‘qualifying
14 project expenditure amount’ means, with respect to
15 any calendar year, the sum of—

16 “(A) the total expenditures paid or in-
17 curred during such calendar year by all New
18 York Liberty Zone governmental units and the
19 Port Authority of New York and New Jersey
20 for any portion of qualifying projects located
21 wholly within the City of New York, New York,
22 and

23 “(B) any such expenditures—

24 “(i) paid or incurred in any preceding
25 calendar year which begins after the date
26 of enactment of this section, and

1 “(ii) not previously allocated under
2 paragraph (3).

3 “(2) QUALIFYING PROJECT.—The term ‘quali-
4 fying project’ means any transportation infrastruc-
5 ture project, including highways, mass transit sys-
6 tems, railroads, airports, ports, and waterways, in or
7 connecting with the New York Liberty Zone (as de-
8 fined in section 1400K(h)), which is designated as a
9 qualifying project under this section jointly by the
10 Governor of the State of New York and the Mayor
11 of the City of New York, New York.

12 “(3) GENERAL ALLOCATION.—

13 “(A) IN GENERAL.—The Governor of the
14 State of New York and the Mayor of the City
15 of New York, New York, shall jointly allocate to
16 each New York Liberty Zone governmental unit
17 the portion of the qualifying project expenditure
18 amount which may be taken into account by
19 such governmental unit under subsection (a) for
20 any calendar year in the credit period.

21 “(B) AGGREGATE LIMIT.—The aggregate
22 amount which may be allocated under subpara-
23 graph (A) for all calendar years in the credit
24 period shall not exceed \$2,000,000,000.

1 “(C) ANNUAL LIMIT.—The aggregate
2 amount which may be allocated under subpara-
3 graph (A) for any calendar year in the credit
4 period shall not exceed the sum of—

5 “(i) \$169,000,000, plus

6 “(ii) the aggregate amount authorized
7 to be allocated under this paragraph for all
8 preceding calendar years in the credit pe-
9 riod which was not so allocated.

10 “(D) UNALLOCATED AMOUNTS AT END OF
11 CREDIT PERIOD.—If, as of the close of the cred-
12 it period, the amount under subparagraph (B)
13 exceeds the aggregate amount allocated under
14 subparagraph (A) for all calendar years in the
15 credit period, the Governor of the State of New
16 York and the Mayor of the City of New York,
17 New York, may jointly allocate to New York
18 Liberty Zone governmental units for any cal-
19 endar year in the 5-year period following the
20 credit period an amount equal to—

21 “(i) the lesser of—

22 “(I) such excess, or

23 “(II) the qualifying project ex-
24 penditure amount for such calendar
25 year, reduced by

1 “(ii) the aggregate amount allocated
2 under this subparagraph for all preceding
3 calendar years.

4 “(4) ALLOCATION TO PAYROLL PERIODS.—
5 Each New York Liberty Zone governmental unit
6 which has been allocated a portion of the qualifying
7 project expenditure amount under paragraph (3) for
8 a calendar year may allocate such portion to payroll
9 periods beginning in such calendar year as such gov-
10 ernmental unit determines appropriate.

11 “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graph (2), if the amount allocated under subsection
14 (b)(3) to a New York Liberty Zone governmental
15 unit for any calendar year exceeds the aggregate
16 taxes imposed by section 3402 for which such gov-
17 ernmental unit is liable under section 3403 for peri-
18 ods beginning in such year, such excess shall be car-
19 ried to the succeeding calendar year and added to
20 the allocation of such governmental unit for such
21 succeeding calendar year.

22 “(2) REALLOCATION.—If a New York Liberty
23 Zone governmental unit does not use an amount al-
24 located to it under subsection (b)(3) within the time
25 prescribed by the Governor of the State of New York

1 and the Mayor of the City of New York, New York,
2 then such amount shall after such time be treated
3 for purposes of subsection (b)(3) in the same man-
4 ner as if it had never been allocated.

5 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
6 poses of this section—

7 “(1) CREDIT PERIOD.—The term ‘credit period’
8 means the 12-year period beginning on January 1,
9 2008.

10 “(2) NEW YORK LIBERTY ZONE GOVERN-
11 MENTAL UNIT.—The term ‘New York Liberty Zone
12 governmental unit’ means—

13 “(A) the State of New York,

14 “(B) the City of New York, New York, and

15 “(C) any agency or instrumentality of such
16 State or City.

17 “(3) TREATMENT OF FUNDS.—Any expenditure
18 for a qualifying project taken into account for pur-
19 poses of the credit under this section shall be consid-
20 ered State and local funds for the purpose of any
21 Federal program.

22 “(4) TREATMENT OF CREDIT AMOUNTS FOR
23 PURPOSES OF WITHHOLDING TAXES.—For purposes
24 of this title, a New York Liberty Zone governmental
25 unit shall be treated as having paid to the Secretary,

1 on the day on which wages are paid to employees,
2 an amount equal to the amount of the credit allowed
3 to such entity under subsection (a) with respect to
4 such wages, but only if such governmental unit de-
5 ducts and withholds wages for such payroll period
6 under section 3401 (relating to wage withholding).

7 “(e) REPORTING.—The Governor of the State of New
8 York and the Mayor of the City of New York, New York,
9 shall jointly submit to the Secretary an annual report—

10 “(1) which certifies—

11 “(A) the qualifying project expenditure
12 amount for the calendar year, and

13 “(B) the amount allocated to each New
14 York Liberty Zone governmental unit under
15 subsection (b)(3) for the calendar year, and

16 “(2) includes such other information as the
17 Secretary may require to carry out this section.

18 “(f) GUIDANCE.—The Secretary may prescribe such
19 guidance as may be necessary or appropriate to ensure
20 compliance with the purposes of this section.”

21 (b) TERMINATION OF SPECIAL ALLOWANCE AND EX-
22 PENSING.—Clause (v) of section 1400K(b)(2)(A), as re-
23 designated by subsection (a), is amended by striking the
24 parenthetical therein and inserting “(in the case of non-
25 residential real property and residential rental property,

1 the date of the enactment of the Renewable Energy and
2 Energy Conservation Tax Act of 2007 or, if acquired pur-
3 suant to a binding contract in effect on such enactment
4 date, December 31, 2009)”.
5

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 38(c)(3)(B) is amended by striking
8 “section 1400L(a)” and inserting “section
9 1400K(a)”.

10 (2) Section 168(k)(2)(D)(ii) is amended by
11 striking “section 1400L(c)(2)” and inserting
12 “1400K(c)(2)”.

13 (3) The table of sections for part I of sub-
14 chapter Y of chapter 1 is amended by redesignating
15 the item relating to section 1400L as an item relat-
16 ing to section 1400K and by inserting after such
17 item the following new item:

18 “Sec. 1400L. New York Liberty Zone tax credits.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect on the date of the enactment
21 of this Act.

22 **Subtitle B—Other Conservation** 23 **Provisions**

24 **SEC. 211. QUALIFIED ENERGY CONSERVATION BONDS.**

25 (a) IN GENERAL.—Subpart I of part IV of sub-
chapter A of chapter 1 is amended by adding at the end
the following new section:

1 **“SEC. 54C. QUALIFIED ENERGY CONSERVATION BONDS.**

2 “(a) **QUALIFIED ENERGY CONSERVATION BOND.—**

3 For purposes of this subchapter, the term ‘qualified en-
4 ergy conservation bond’ means any bond issued as part
5 of an issue if—

6 “(1) 100 percent of the available project pro-
7 ceeds of such issue are to be used for one or more
8 qualified conservation purposes,

9 “(2) the bond is issued by a State or local gov-
10 ernment, and

11 “(3) the issuer designates such bond for pur-
12 poses of this section.

13 “(b) **LIMITATION ON AMOUNT OF BONDS DES-**
14 **IGNATED.—**The maximum aggregate face amount of
15 bonds which may be designated under subsection (a) by
16 any issuer shall not exceed the limitation amount allocated
17 to such issuer under subsection (d).

18 “(c) **NATIONAL LIMITATION ON AMOUNT OF BONDS**
19 **DESIGNATED.—**There is a national qualified energy con-
20 serva- tion bond limitation of \$3,600,000,000.

21 “(d) **ALLOCATIONS.—**

22 “(1) **IN GENERAL.—**The limitation applicable
23 under subsection (c) shall be allocated by the Sec-
24 retary among the States in proportion to the popu-
25 lation of the States.

1 “(2) ALLOCATIONS TO LARGEST LOCAL GOV-
2 ERNMENTS.—

3 “(A) IN GENERAL.—In the case of any
4 State in which there is a large local govern-
5 ment, each such local government shall be allo-
6 cated a portion of such State’s allocation which
7 bears the same ratio to the State’s allocation
8 (determined without regard to this subpara-
9 graph) as the population of such large local
10 government bears to the population of such
11 State.

12 “(B) ALLOCATION OF UNUSED LIMITATION
13 TO STATE.—The amount allocated under this
14 subsection to a large local government may be
15 reallocated by such local government to the
16 State in which such local government is located.

17 “(C) LARGE LOCAL GOVERNMENT.—For
18 purposes of this section, the term ‘large local
19 government’ means any municipality or county
20 if such municipality or county has a population
21 of 100,000 or more.

22 “(3) ALLOCATION TO ISSUERS; RESTRICTION
23 ON PRIVATE ACTIVITY BONDS.—Any allocation
24 under this subsection to a State or large local gov-
25 ernment shall be allocated by such State or large

1 local government to issuers within the State in a
2 manner that results in not less than 70 percent of
3 the allocation to such State or large local govern-
4 ment being used to designate bonds which are not
5 private activity bonds.

6 “(e) QUALIFIED CONSERVATION PURPOSE.—For
7 purposes of this section—

8 “(1) IN GENERAL.—The term ‘qualified con-
9 servation purpose’ means any of the following:

10 “(A) Capital expenditures incurred for
11 purposes of—

12 “(i) reducing energy consumption in
13 publicly-owned buildings by at least 20
14 percent,

15 “(ii) implementing green community
16 programs, or

17 “(iii) rural development involving the
18 production of electricity from renewable
19 energy resources.

20 “(B) Expenditures with respect to research
21 facilities, and research grants, to support re-
22 search in—

23 “(i) development of cellulosic ethanol
24 or other nonfossil fuels,

1 “(ii) technologies for the capture and
2 sequestration of carbon dioxide produced
3 through the use of fossil fuels,

4 “(iii) increasing the efficiency of exist-
5 ing technologies for producing nonfossil
6 fuels,

7 “(iv) automobile battery technologies
8 and other technologies to reduce fossil fuel
9 consumption in transportation, or

10 “(v) technologies to reduce energy use
11 in buildings.

12 “(C) Mass commuting facilities and related
13 facilities that reduce the consumption of energy,
14 including expenditures to reduce pollution from
15 vehicles used for mass commuting.

16 “(D) Demonstration projects designed to
17 promote the commercialization of—

18 “(i) green building technology,

19 “(ii) conversion of agricultural waste
20 into methane to be used in producing fuel
21 or otherwise,

22 “(iii) advanced battery manufacturing
23 technologies,

24 “(iv) technologies to reduce peak use
25 of electricity, or

1 “(v) technologies for the capture and
2 sequestration of carbon dioxide.

3 “(E) Public education campaigns to pro-
4 mote energy efficiency.

5 “(2) SPECIAL RULES FOR PRIVATE ACTIVITY
6 BONDS.—For purposes of this section, in the case of
7 any private activity bond, the term ‘qualified con-
8 servation purposes’ shall not include any expenditure
9 which is not a capital expenditure.

10 “(f) POPULATION.—

11 “(1) IN GENERAL.—The population of any
12 State or local government shall be determined for
13 purposes of this section as provided in section 146(j)
14 for the calendar year which includes the date of the
15 enactment of this section.

16 “(2) SPECIAL RULE FOR COUNTIES.—In deter-
17 mining the population of any county for purposes of
18 this section, any population of such county which is
19 taken into account in determining the population of
20 any municipality which is a large local government
21 shall not be taken into account in determining the
22 population of such county.

23 “(g) APPLICATION TO INDIAN TRIBAL GOVERN-
24 MENTS.—An Indian tribal government shall be treated for

1 purposes of this section in the same manner as a large
2 local government, except that—

3 “(1) an Indian tribal government shall be treat-
4 ed for purposes of subsection (d) as located within
5 a State to the extent of so much of the population
6 of such government as resides within such State,
7 and

8 “(2) any bond issued by an Indian tribal gov-
9 ernment shall be treated as a qualified energy con-
10 servation bond only if issued as part of an issue the
11 available project proceeds of which are used for pur-
12 poses for which such Indian tribal government could
13 issue bonds to which section 103(a) applies.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Paragraph (1) of section 54A(d), as added
16 by section 104, is amended to read as follows:

17 “(1) QUALIFIED TAX CREDIT BOND.—The term
18 ‘qualified tax credit bond’ means—

19 “(A) a new clean renewable energy bond,
20 or

21 “(B) a qualified energy conservation bond,
22 which is part of an issue that meets requirements of
23 paragraphs (2), (3), (4), and (5).”.

24 (2) Subparagraph (C) of section 54A(d)(2), as
25 added by section 104, is amended to read as follows:

1 “(C) QUALIFIED PURPOSE.—For purposes
2 of this paragraph, the term ‘qualified purpose’
3 means—

4 “(i) in the case of a new clean renew-
5 able energy bond, a purpose specified in
6 section 54B(a)(1), and

7 “(ii) in the case of a qualified energy
8 conservation bond, a purpose specified in
9 section 54C(a)(1).”.

10 (3) The table of sections for subpart I of part
11 IV of subchapter A of chapter 1 is amended by add-
12 ing at the end the following new item:

 “Sec. 54C. Qualified energy conservation bonds.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to obligations issued after the date
15 of the enactment of this Act.

16 **SEC. 212. QUALIFIED RESIDENTIAL ENERGY EFFICIENCY**
17 **ASSISTANCE BONDS.**

18 (a) IN GENERAL.—Subpart I of part IV of sub-
19 chapter A of chapter 1 (as amended by this Act) is amend-
20 ed by adding at the end the following new section:

21 **“SEC. 54D. QUALIFIED RESIDENTIAL ENERGY EFFICIENCY**
22 **ASSISTANCE BONDS.**

23 “(a) QUALIFIED RESIDENTIAL ENERGY EFFICIENCY
24 ASSISTANCE BOND.—For purposes of this subchapter, the

1 term ‘qualified residential energy efficiency assistance
2 bond’ means any bond issued as part of an issue if—

3 “(1) 100 percent of the available project pro-
4 ceeds of such issue are to be used for 1 or more
5 qualified residential energy efficiency assistance pur-
6 poses,

7 “(2) not less than 20 percent of the available
8 project proceeds of such issue are to be used for 1
9 or more qualified low-income residential energy effi-
10 ciency assistance purposes,

11 “(3) repayments of principal and applicable in-
12 terest on financing provided by the issue are used
13 not later than the close of the 3-month period begin-
14 ning on the date the prepayment (or complete repay-
15 ment) is received to redeem bonds which are part of
16 the issue or to provide for 1 or more qualified resi-
17 dential energy efficiency assistance purposes,

18 “(4) the bond is issued by a State, and

19 “(5) the issuer designates such bond for pur-
20 poses of this section.

21 “(b) LIMITATION ON AMOUNT OF BONDS DES-
22 IGNATED.—The maximum aggregate face amount of
23 bonds which may be designated under subsection (a) by
24 any issuer shall not exceed the limitation amount allocated
25 under subsection (d) to such issuer.

1 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
2 DESIGNATED.—There is a national qualified energy con-
3 servation bond limitation of \$2,400,000,000.

4 “(d) LIMITATION ALLOCATED AMONG STATES.—The
5 limitation under subsection (c) shall be allocated by the
6 Secretary among the States in proportion to the popu-
7 lation of the States.

8 “(e) QUALIFIED RESIDENTIAL ENERGY EFFICIENCY
9 ASSISTANCE PURPOSE.—For purposes of this section—

10 “(1) IN GENERAL.—The term ‘qualified resi-
11 dential energy efficiency assistance purpose’ means
12 any grant or low-interest loan to acquire (including
13 reasonable installation costs)—

14 “(A) any property which meets (at a min-
15 imum) the requirements of the Energy Star
16 program and which is to be installed in a dwell-
17 ing unit,

18 “(B) any property which uses wind, solar,
19 or geothermal energy or qualified fuel cell prop-
20 erty (as defined in section 48(c)(1)) to generate
21 electricity, or to heat or cool water, for use in
22 a dwelling unit (other than property described
23 in section 25D(e)(3)), and

24 “(C) any improvements to a dwelling unit
25 which are made pursuant to a plan certified by

1 an energy efficiency expert that such improve-
2 ment will yield at least a 20 percent reduction
3 in total household energy consumption related
4 to heating, cooling, lighting, and appliances.

5 “(2) DOLLAR LIMITATIONS.—

6 “(A) IN GENERAL.—Such term shall not
7 include any grant or loan for improvements de-
8 scribed in paragraph (1)(C) with respect to any
9 dwelling unit to the extent that such grant or
10 loan (when added to all other grants or loans
11 for such improvements) exceeds \$5,000.

12 “(B) INCREASED LIMITATION FOR CER-
13 TAIN PRINCIPAL RESIDENCES.—In the case of a
14 dwelling unit which is used as a principal resi-
15 dence (within the meaning of section 121) by
16 the recipient of the grant or loan referred to in
17 subparagraph (A)—

18 “(i) subparagraph (A) shall be applied
19 by substituting ‘\$12,000’ for ‘\$5,000’ if
20 such grant or loan would satisfy the re-
21 quirements of paragraph (1)(A) if such
22 paragraph were applied by substituting ‘50
23 percent’ for ‘20 percent’, and

24 “(ii) in any case to which clause (i)
25 does not apply, subparagraph (A) shall be

1 applied by substituting ‘\$8,000’ for
2 ‘\$5,000’ if such grant or loan would satisfy
3 the requirements of paragraph (1)(A) if
4 such paragraph were applied by sub-
5 stituting ‘35 percent’ for ‘20 percent’.

6 “(3) LOW-INTEREST LOAN.—The term ‘low in-
7 terest loan’ means any loan which charges interest
8 at a rate which does not exceed the applicable Fed-
9 eral rate in effect under section 1288(b)(1) deter-
10 mined as of the issuance of the loan.

11 “(f) QUALIFIED LOW-INCOME RESIDENTIAL EFFI-
12 CIENCY ASSISTANCE PURPOSE.—For purposes of this sec-
13 tion—

14 “(1) IN GENERAL.—The term ‘qualified low-in-
15 come residential energy efficiency assistance pur-
16 pose’ means any qualified residential energy effi-
17 ciency assistance purpose with respect to a dwelling
18 unit which is occupied (at the time of the grant or
19 loan) by individuals whose income is 50 percent or
20 less of area median gross income. Rules similar to
21 the rules of section 142(d)(2)(B) shall apply for pur-
22 poses of this paragraph.

23 “(2) RESTRICTION TO GRANTS.—Such term
24 shall not include any loan.

1 “(g) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this section—

3 “(1) APPLICABLE INTEREST.—The term ‘appli-
4 cable interest’ means, with respect to any loan, so
5 much of any interest on such loan which exceeds 1
6 percentage point.

7 “(2) SPECIAL RULE RELATING TO ARBI-
8 TRAGE.—An issue shall not be treated as failing to
9 meet the requirements of section 54A(d)(4)(A) by
10 reason of any investment of available project pro-
11 ceeds in 1 or more qualified residential energy effi-
12 ciency assistance purposes.

13 “(3) POPULATION.—The population of any
14 State or local government shall be determined as
15 provided in section 146(j) for the calendar year
16 which includes the date of the enactment of this sec-
17 tion.

18 “(4) REPORTING.—

19 “(A) REPORTS BY ISSUERS.—Issuers of
20 qualified residential energy efficiency assistance
21 bonds shall, not later than 6 months after the
22 expenditure period (as defined in section 54A)
23 and annually thereafter until the last such bond
24 is redeemed, submit reports to the Secretary re-

1 garding such bonds, including information re-
2 garding—

3 “(i) the number and monetary value
4 of loans and grants provided and the pur-
5 poses for which provided,

6 “(ii) the number of dwelling units the
7 energy efficiency of which improved as re-
8 sult of such loans and grants,

9 “(iii) the types of property described
10 in subsection (e)(1)(A) installed as a result
11 of such loans and grants and the projected
12 energy savings with respect to such prop-
13 erty,

14 “(iv) the types of property described
15 in subsection (e)(1)(B) installed as a result
16 of such loans and grants and the projected
17 production of such property, and

18 “(v) the projected energy savings as a
19 result of such loans and grants for im-
20 provements described in subsection
21 (e)(1)(C).

22 “(B) REPORT TO CONGRESS.—Not later
23 than 12 months after receipt of the first report
24 under subparagraph (A) and annually there-
25 after until the last such report is required to be

1 submitted, the Secretary, in consultation with
2 the Secretary of Energy and the Administrator
3 of the Environmental Protection Agency, shall
4 submit a report to Congress regarding the bond
5 program under this section, including informa-
6 tion regarding—

7 “(i) the aggregate of each category of
8 information described in subparagraph (A)
9 (including any independent assessment of
10 projected energy savings), and

11 “(ii) an estimate of the amount of
12 greenhouse gas emissions reduced as a re-
13 sult of such bond program.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Paragraph (1) of section 54A(d), as added
16 by section 104 and amended by section 211, is
17 amended by striking “or” at the end of subpara-
18 graph (A), by inserting “or” at the end of subpara-
19 graph (B), and by inserting after subparagraph (B)
20 the following new subparagraph:

21 “(C) a qualified residential energy effi-
22 ciency assistance bond,”.

23 (2) Subparagraph (C) of section 54A(d)(2), as
24 added by section 104 and amended by section 211,
25 is amended by striking “and” at the end of clause

1 (i), by striking the period at the end of clause (ii)
2 and inserting “, and”, and by adding at the end the
3 following new clause:

4 “(iii) in the case of a qualified resi-
5 dential energy efficiency assistance bond, a
6 purpose specified in section 54D(a)(1).”.

7 (3) The table of sections for subpart I of part
8 IV of subchapter A of chapter 1, as amended by this
9 Act, is amended by adding at the end the following
10 new item:

“Sec. 54D. Qualified residential energy efficiency assistance bonds.”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to obligations issued after the date
13 of the enactment of this Act.

14 **SEC. 213. EXTENSION OF ENERGY EFFICIENT COMMERCIAL**
15 **BUILDINGS DEDUCTION.**

16 Subsection (h) of section 179D (relating to termi-
17 nation) is amended by striking “December 31, 2008” and
18 inserting “December 31, 2013”.

19 **SEC. 214. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
20 **ANCE CREDIT FOR APPLIANCES PRODUCED**
21 **AFTER 2007.**

22 (a) IN GENERAL.—Subsection (b) of section 45M (re-
23 lating to applicable amount) is amended to read as follows:

24 “(b) APPLICABLE AMOUNT.—For purposes of sub-
25 section (a)—

1 “(1) DISHWASHERS.—The applicable amount
2 is—

3 “(A) \$45 in the case of a dishwasher which
4 is manufactured in calendar year 2008 or 2009
5 and which uses no more than 324 kilowatt
6 hours per year and 5.8 gallons per cycle, and

7 “(B) \$75 in the case of a dishwasher
8 which is manufactured in calendar year 2008,
9 2009, or 2010 and which uses no more than
10 307 kilowatt hours per year and 5.0 gallons per
11 cycle (5.5 gallons per cycle for dishwashers de-
12 signed for greater than 12 place settings).

13 “(2) CLOTHES WASHERS.—The applicable
14 amount is—

15 “(A) \$75 in the case of a residential top-
16 loading clothes washer manufactured in cal-
17 endar year 2008 which meets or exceeds a 1.72
18 modified energy factor and does not exceed a
19 8.0 water consumption factor,

20 “(B) \$125 in the case of a residential top-
21 loading clothes washer manufactured in cal-
22 endar year 2008 or 2009 which meets or ex-
23 ceeds a 1.8 modified energy factor and does not
24 exceed a 7.5 water consumption factor,

1 “(C) \$150 in the case of a residential or
2 commercial clothes washer manufactured in cal-
3 endar year 2008, 2009 or 2010 which meets or
4 exceeds 2.0 modified energy factor and does not
5 exceed a 6.0 water consumption factor, and

6 “(D) \$250 in the case of a residential or
7 commercial clothes washer manufactured in cal-
8 endar year 2008, 2009, or 2010 which meets or
9 exceeds 2.2 modified energy factor and does not
10 exceed a 4.5 water consumption factor.

11 “(3) REFRIGERATORS.—The applicable amount
12 is—

13 “(A) \$50 in the case of a refrigerator
14 which is manufactured in calendar year 2008,
15 and consumes at least 20 percent but not more
16 than 22.9 percent less kilowatt hours per year
17 than the 2001 energy conservation standards,

18 “(B) \$75 in the case of a refrigerator
19 which is manufactured in calendar year 2008 or
20 2009, and consumes at least 23 percent but no
21 more than 24.9 percent less kilowatt hours per
22 year than the 2001 energy conservation stand-
23 ards,

24 “(C) \$100 in the case of a refrigerator
25 which is manufactured in calendar year 2008,

1 2009 or 2010, and consumes at least 25 per-
2 cent but not more than 29.9 percent less kilo-
3 watt hours per year than the 2001 energy con-
4 servation standards, and

5 “(D) \$200 in the case of a refrigerator
6 manufactured in calendar year 2008, 2009 or
7 2010 and which consumes at least 30 percent
8 less energy than the 2001 energy conservation
9 standards.

10 “(4) DEHUMIDIFIERS.—The applicable amount
11 is—

12 “(A) \$15 in the case of a dehumidifier
13 manufactured in calendar year 2008 that has a
14 capacity less than or equal to 45 pints per day
15 and is 7.5 percent more efficient than the appli-
16 cable Department of Energy energy conserva-
17 tion standard effective October 2012, and

18 “(B) \$25 in the case of a dehumidifier
19 manufactured in calendar year 2008 that has a
20 capacity greater than 45 pints per day and is
21 7.5 percent more efficient than the applicable
22 Department of Energy energy conservation
23 standard effective October 2012.”.

24 (b) ELIGIBLE PRODUCTION.—

1 (1) SIMILAR TREATMENT FOR ALL APPLI-
2 ANCES.—Subsection (c) of section 45M (relating to
3 eligible production) is amended—

4 (A) by striking paragraph (2),

5 (B) by striking “(1) IN GENERAL” and all
6 that follows through “the eligible” and inserting
7 “The eligible”, and

8 (C) by moving the text of such subsection
9 in line with the subsection heading and redesign-
10 nating subparagraphs (A) and (B) as para-
11 graphs (1) and (2), respectively.

12 (2) MODIFICATION OF BASE PERIOD.—Para-
13 graph (2) of section 45M(c), as amended by para-
14 graph (1) of this section, is amended by striking “3-
15 calendar year” and inserting “2-calendar year”.

16 (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—
17 Subsection (d) of section 45M (defining types of energy
18 efficient appliances) is amended to read as follows:

19 “(d) TYPES OF ENERGY EFFICIENT APPLIANCE.—
20 For purposes of this section, the types of energy efficient
21 appliances are—

22 “(1) dishwashers described in subsection (b)(1),

23 “(2) clothes washers described in subsection
24 (b)(2),

1 “(3) refrigerators described in subsection
2 (b)(3), and

3 “(4) dehumidifiers described in subsection
4 (b)(4).”.

5 (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

6 (1) INCREASE IN LIMIT.—Paragraph (1) of sec-
7 tion 45M(e) (relating to aggregate credit amount al-
8 lowed) is amended to read as follows:

9 “(1) AGGREGATE CREDIT AMOUNT ALLOWED.—
10 The aggregate amount of credit allowed under sub-
11 section (a) with respect to a taxpayer for any tax-
12 able year shall not exceed \$75,000,000 reduced by
13 the amount of the credit allowed under subsection
14 (a) to the taxpayer (or any predecessor) for all prior
15 taxable years beginning after December 31, 2007.”.

16 (2) EXCEPTION FOR CERTAIN REFRIGERATOR
17 AND CLOTHES WASHERS.—Paragraph (2) of section
18 45M(e) is amended to read as follows:

19 “(2) AMOUNT ALLOWED FOR CERTAIN REFRIG-
20 ERATORS AND CLOTHES WASHERS.—Refrigerators
21 described in subsection (b)(3)(D) and clothes wash-
22 ers described in subsection (b)(2)(D) shall not be
23 taken into account under paragraph (1).”.

24 (e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 45M(f) (defining qualified energy efficient appliance)
3 is amended to read as follows:

4 “(1) QUALIFIED ENERGY EFFICIENT APPLI-
5 ANCE.—The term ‘qualified energy efficient appli-
6 ance’ means—

7 “(A) any dishwasher described in sub-
8 section (b)(1),

9 “(B) any clothes washer described in sub-
10 section (b)(2),

11 “(C) any refrigerator described in sub-
12 section (b)(3), and

13 “(D) any dehumidifier described in sub-
14 section (b)(4).”.

15 (2) CLOTHES WASHER.—Section 45M(f)(3) (de-
16 fining clothes washer) is amended by inserting
17 “commercial” before “residential” the second place
18 it appears.

19 (3) TOP-LOADING CLOTHES WASHER.—Sub-
20 section (f) of section 45M (relating to definitions) is
21 amended by redesignating paragraphs (4), (5), (6),
22 and (7) as paragraphs (5), (6), (7), and (8), respec-
23 tively, and by inserting after paragraph (3) the fol-
24 lowing new paragraph:

1 “(4) TOP-LOADING CLOTHES WASHER.—The
2 term “top-loading clothes washer” means a clothes
3 washer which has the clothes container compartment
4 access located on the top of the machine and which
5 operates on a vertical axis.”.

6 (4) DEHUMIDIFIER.—Subsection (f) of section
7 45M, as amended by paragraph (3), is amended by
8 redesignating paragraphs (6), (7), and (8) as para-
9 graphs (7), (8) and (9), respectively, and by insert-
10 ing after paragraph (5) the following new para-
11 graph:

12 “(6) DEHUMIDIFIER.—The term ‘dehumidifier’
13 means a self-contained, electrically operated, and
14 mechanically refrigerated encased assembly con-
15 sisting of—

16 “(A) a refrigerated surface that condenses
17 moisture from the atmosphere,

18 “(B) a refrigerating system, including an
19 electric motor,

20 “(C) an air-circulating fan, and

21 “(D) means for collecting or disposing of
22 condensate.”.

23 (5) REPLACEMENT OF ENERGY FACTOR.—Sec-
24 tion 45M(f)(7), as amended by paragraph (4), is
25 amended to read as follows:

1 “(7) MODIFIED ENERGY FACTOR.—The term
2 ‘modified energy factor’ means the modified energy
3 factor established by the Department of Energy for
4 compliance with the Federal energy conservation
5 standard.”.

6 (6) GALLONS PER CYCLE; WATER CONSUMP-
7 TION FACTOR.—Section 45M(f) (relating to defini-
8 tions) is amended by adding at the end the fol-
9 lowing:

10 “(10) GALLONS PER CYCLE.—The term ‘gallons
11 per cycle’ means, with respect to a dishwasher, the
12 amount of water, expressed in gallons, required to
13 complete a normal cycle of a dishwasher.

14 “(11) WATER CONSUMPTION FACTOR.—The
15 term ‘water consumption factor’ means, with respect
16 to a clothes washer, the quotient of the total weight-
17 ed per-cycle water consumption divided by the cubic
18 foot (or liter) capacity of the clothes washer.”.

19 (f) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to appliances produced after De-
21 cember 31, 2007.

1 **SEC. 215. FIVE-YEAR APPLICABLE RECOVERY PERIOD FOR**
2 **DEPRECIATION OF QUALIFIED ENERGY MAN-**
3 **AGEMENT DEVICES.**

4 (a) IN GENERAL.—Section 168(e)(3)(B) (relating to
5 5-year property) is amended by striking “and” at the end
6 of clause (v), by striking the period at the end of clause
7 (vi) and inserting “, and”, and by inserting after clause
8 (vi) the following new clause:

9 “(vii) any qualified energy manage-
10 ment device.”.

11 (b) DEFINITION OF QUALIFIED ENERGY MANAGE-
12 MENT DEVICE.—Section 168(i) (relating to definitions
13 and special rules) is amended by inserting at the end the
14 following new paragraph:

15 “(18) QUALIFIED ENERGY MANAGEMENT DE-
16 VICE.—

17 “(A) IN GENERAL.—The term ‘qualified
18 energy management device’ means any energy
19 management device which is installed on real
20 property of a customer of the taxpayer and is
21 placed in service by a taxpayer who—

22 “(i) is a supplier of electric energy or
23 a provider of electric energy services, and

24 “(ii) provides all commercial and resi-
25 dential customers of such supplier or pro-

1 vider with net metering upon the request
2 of such customer.

3 “(B) ENERGY MANAGEMENT DEVICE.—
4 For purposes of subparagraph (A), the term
5 ‘energy management device’ means any time-
6 based meter and related communication equip-
7 ment which is capable of being used by the tax-
8 payer as part of a system that—

9 “(i) measures and records electricity
10 usage data on a time-differentiated basis
11 in at least 24 separate time segments per
12 day,

13 “(ii) provides for the exchange of in-
14 formation between supplier or provider and
15 the customer’s energy management device
16 in support of time-based rates or other
17 forms of demand response, and

18 “(iii) provides data to such supplier or
19 provider so that the supplier or provider
20 can provide energy usage information to
21 customers electronically.

22 “(C) NET METERING.—For purposes of
23 subparagraph (A), the term ‘net metering’
24 means allowing customers a credit for providing
25 electricity to the supplier or provider.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to property placed in service after
3 the date of the enactment of this Act.

4 **TITLE III—REVENUE**
5 **PROVISIONS**
6 **Subtitle A—Denial of Oil and Gas**
7 **Tax Benefits**

8 **SEC. 301. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**
9 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
10 **NATURAL GAS, OR PRIMARY PRODUCTS**
11 **THEREOF.**

12 (a) IN GENERAL.—Subparagraph (B) of section
13 199(c)(4) (relating to exceptions) is amended by striking
14 “or” at the end of clause (ii), by striking the period at
15 the end of clause (iii) and inserting “, or”, and by insert-
16 ing after clause (iii) the following new clause:

17 “(iv) the sale, exchange, or other dis-
18 position of oil, natural gas, or any primary
19 product thereof.”.

20 (b) PRIMARY PRODUCT.—Section 199(c)(4)(B) is
21 amended by adding at the end the following flush sen-
22 tence:

23 “For purposes of clause (iv), the term ‘primary
24 product’ has the same meaning as when used in

1 section 927(a)(2)(C), as in effect before its re-
2 peal.”.

3 (c) CONFORMING AMENDMENTS.—Section 199(c)(4)
4 is amended—

5 (1) in subparagraph (A)(i)(III) by striking
6 “electricity, natural gas,” and inserting “electricity”,
7 and

8 (2) in subparagraph (B)(ii) by striking “elec-
9 tricity, natural gas,” and inserting “electricity”.

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2007.

13 **SEC. 302. 7-YEAR AMORTIZATION OF GEOLOGICAL AND**
14 **GEOPHYSICAL EXPENDITURES FOR CERTAIN**
15 **MAJOR INTEGRATED OIL COMPANIES.**

16 (a) IN GENERAL.—Subparagraph (A) of section
17 167(h)(5) (relating to special rule for major integrated oil
18 companies) is amended by striking “5-year” and inserting
19 “7-year”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to amounts paid or incurred after
22 the date of the enactment of this Act.

1 **SEC. 303. CLARIFICATION OF DETERMINATION OF FOREIGN**
2 **OIL AND GAS EXTRACTION INCOME.**

3 (a) IN GENERAL.—Paragraph (1) of section 907(c)
4 is amended by redesignating subparagraph (B) as sub-
5 paragraph (C), by striking “or” at the end of subpara-
6 graph (A), and by inserting after subparagraph (A) the
7 following new subparagraph:

8 “(B) so much of any transportation of
9 such minerals as occurs before the fair market
10 value event, or”.

11 (b) FAIR MARKET VALUE EVENT.—Subsection (c) of
12 section 907 is amended by adding at the end the following
13 new paragraph:

14 “(6) FAIR MARKET VALUE EVENT.—For pur-
15 poses of this section, the term ‘fair market value
16 event’ means, with respect to any mineral, the first
17 point in time at which such mineral—

18 “(A) has a fair market value which can be
19 determined on the basis of a transfer, which is
20 an arm’s length transaction, of such mineral
21 from the taxpayer to a person who is not re-
22 lated (within the meaning of section 482) to
23 such taxpayer, or

24 “(B) is at a location at which the fair mar-
25 ket value is readily ascertainable by reason of
26 transactions among unrelated third parties with

1 respect to the same mineral (taking into ac-
2 count source, location, quality, and chemical
3 composition).”.

4 (c) SPECIAL RULE FOR CERTAIN PETROLEUM
5 TAXES.—Subsection (c) of section 907, as amended by
6 subsection (b), is amended to by adding at the end the
7 following new paragraph:

8 “(7) OIL AND GAS TAXES.—In the case of any
9 tax imposed by a foreign country which is limited in
10 its application to taxpayers engaged in oil or gas ac-
11 tivities—

12 “(A) the term ‘oil and gas extraction taxes’
13 shall include such tax,

14 “(B) the term ‘foreign oil and gas extrac-
15 tion income’ shall include any taxable income
16 which is taken into account in determining such
17 tax (or is directly attributable to the activity to
18 which such tax relates), and

19 “(C) the term ‘foreign oil related income’
20 shall not include any taxable income which is
21 treated as foreign oil and gas extraction income
22 under subparagraph (B).”.

23 (d) CONFORMING AMENDMENTS.—

24 (1) Subparagraph (C) of section 907(c)(1), as
25 redesignated by this section, is amended by inserting

1 “or used by the taxpayer in the activity described in
2 subparagraph (B)” before the period at the end.

3 (2) Subparagraph (B) of section 907(c)(2) is
4 amended to read as follows:

5 “(B) so much of the transportation of such
6 minerals or primary products as is not taken into
7 account under paragraph (1)(B),”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 the date of the enactment of this Act.

11 **Subtitle B—Clarification of** 12 **Eligibility for Certain Fuel Credits**

13 **SEC. 311. CLARIFICATION OF ELIGIBILITY FOR RENEW-** 14 **ABLE DIESEL CREDIT.**

15 (a) COPRODUCTION WITH PETROLEUM FEED-
16 STOCK.—

17 (1) IN GENERAL.—Paragraph (3) of section
18 40A(f) (defining renewable diesel) is amended by
19 adding at the end the following flush sentence:

20 “Such term does not include any fuel derived from
21 coprocessing biomass with a feedstock which is not
22 biomass. For purposes of this paragraph, the term
23 ‘biomass’ has the meaning given such term by sec-
24 tion 45K(c)(3).”.

1 (2) CONFORMING AMENDMENT.—Paragraph (3)
2 of section 40A(f) is amended by striking “(as de-
3 fined in section 45K(c)(3))”.

4 (b) CLARIFICATION OF ELIGIBILITY FOR ALTER-
5 NATIVE FUEL CREDIT.—

6 (1) IN GENERAL.—Subparagraph (F) of section
7 6426(d)(2) is amended by striking “hydrocarbons”
8 and inserting “fuel”.

9 (2) CONFORMING AMENDMENT.—Section 6426
10 is amended by adding at the end the following new
11 subsection:

12 “(h) DENIAL OF DOUBLE BENEFIT.—No credit shall
13 be determined under subsection (d) or (e) with respect to
14 any fuel with respect to which credit may be determined
15 under subsection (b) or (c) or under section 40 or 40A.”.

16 (c) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as provided in para-
18 graph (2), the amendments made by this section
19 shall apply to fuel produced, and sold or used, after
20 June 30, 2007.

21 (2) CLARIFICATION OF ELIGIBILITY FOR AL-
22 TERNATIVE FUEL CREDIT.—The amendment made
23 by subsection (b) shall take effect as if included in
24 section 11113 of the Safe, Accountable, Flexible, Ef-

1 ficient Transportation Equity Act: A Legacy for
2 Users.

3 **SEC. 312. CLARIFICATION THAT CREDITS FOR FUEL ARE**
4 **DESIGNED TO PROVIDE AN INCENTIVE FOR**
5 **UNITED STATES PRODUCTION.**

6 (a) BIODIESEL FUELS CREDIT.—Paragraph (5) of
7 section 40A(d), as added by subsection (c), is amended
8 to read as follows:

9 “(5) LIMITATION TO BIODIESEL WITH CONNEC-
10 TION TO THE UNITED STATES.—No credit shall be
11 determined under this section with respect to any
12 biodiesel unless—

13 “(A) such biodiesel is produced in the
14 United States for use as a fuel in the United
15 States, and

16 “(B) the taxpayer obtains a certification
17 (in such form and manner as prescribed by the
18 Secretary) from the producer of the biodiesel
19 which identifies the product produced and the
20 location of such production.

21 For purposes of this paragraph, the term ‘United
22 States’ includes any possession of the United
23 States.”.

1 (b) EXCISE TAX CREDIT.—Paragraph (2) of section
2 6426(h), as added by subsection (c), is amended to read
3 as follows:

4 “(2) BIODIESEL AND ALTERNATIVE FUELS.—
5 No credit shall be determined under this section
6 with respect to any biodiesel or alternative fuel un-
7 less—

8 “(A) such biodiesel or alternative fuel is
9 produced in the United States for use as a fuel
10 in the United States, and

11 “(B) the taxpayer obtains a certification
12 (in such form and manner as prescribed by the
13 Secretary) from the producer of such biodiesel
14 or alternative fuel which identifies the product
15 produced and the location of such production.”.

16 (c) PROVISIONS CLARIFYING TREATMENT OF FUELS
17 WITH NO NEXUS TO THE UNITED STATES.—

18 (1) ALCOHOL FUELS CREDIT.—Subsection (d)
19 of section 40 is amended by adding at the end the
20 following new paragraph:

21 “(6) LIMITATION TO ALCOHOL WITH CONNEC-
22 TION TO THE UNITED STATES.—No credit shall be
23 determined under this section with respect to any al-
24 cohol which is produced outside the United States
25 for use as a fuel outside the United States. For pur-

1 poses of this paragraph, the term ‘United States’ in-
2 cludes any possession of the United States”.

3 (2) BIODIESEL FUELS CREDIT.—Subsection (d)
4 of section 40A is amended by adding at the end the
5 following new paragraph:

6 “(5) LIMITATION TO BIODIESEL WITH CONNEC-
7 TION TO THE UNITED STATES.—No credit shall be
8 determined under this section with respect to any
9 biodiesel which is produced outside the United
10 States for use as a fuel outside the United States.
11 For purposes of this paragraph, the term ‘United
12 States’ includes any possession of the United
13 States”.

14 (3) EXCISE TAX CREDIT.—

15 (A) IN GENERAL.—Section 6426 is amend-
16 ed by adding at the end the following new sub-
17 section:

18 “(h) LIMITATION TO FUELS WITH CONNECTION TO
19 THE UNITED STATES.—

20 “(1) ALCOHOL.—No credit shall be determined
21 under this section with respect to any alcohol which
22 is produced outside the United States for use as a
23 fuel outside the United States.

24 “(2) BIODIESEL AND ALTERNATIVE FUELS.—
25 No credit shall be determined under this section

1 with respect to any biodiesel or alternative fuel
2 which is produced outside the United States for use
3 as a fuel outside the United States.

4 For purposes of this subsection, the term ‘United States’
5 includes any possession of the United States.”.

6 (B) CONFORMING AMENDMENT.—Sub-
7 section (e) of section 6427 is amended by redes-
8 ignating paragraph (5) as paragraph (6) and by
9 inserting after paragraph (4) the following new
10 paragraph:

11 “(5) LIMITATION TO FUELS WITH CONNECTION
12 TO THE UNITED STATES.—No amount shall be pay-
13 able under paragraph (1) or (2) with respect to any
14 mixture or alternative fuel if credit is not allowed
15 with respect to such mixture or alternative fuel by
16 reason of section 6426(h).”.

17 (d) EFFECTIVE DATE.—

18 (1) IN GENERAL.—Except as provided in para-
19 graph (2), the amendments made by this section
20 shall apply to fuel produced, and sold or used, after
21 the date of the enactment of this Act.

22 (2) PROVISIONS CLARIFYING TREATMENT OF
23 FUELS WITH NO NEXUS TO THE UNITED STATES.—

24 (A) IN GENERAL.—Except as otherwise
25 provided in this paragraph, the amendments

1 made by subsection (c) shall take effect as if in-
2 cluded in section 301 of the American Jobs
3 Creation Act of 2004.

4 (B) ALTERNATIVE FUEL CREDITS.—So
5 much of the amendments made by subsection
6 (c) as relate to the alternative fuel credit or the
7 alternative fuel mixture credit shall take effect
8 as if included in section 11113 of the Safe, Ac-
9 countable, Flexible, Efficient Transportation
10 Equity Act: A Legacy for Users.

11 (C) RENEWABLE DIESEL.—So much of the
12 amendments made by subsection (c) as relate to
13 renewable diesel shall take effect as if included
14 in section 1346 of the Energy Policy Act of
15 2005.

16 **TITLE IV—OTHER PROVISIONS**

17 **Subtitle A—Studies**

18 **SEC. 401. CARBON AUDIT OF THE TAX CODE.**

19 (a) STUDY.—The Secretary of the Treasury shall
20 enter into an agreement with the National Academy of
21 Sciences to undertake a comprehensive review of the Inter-
22 nal Revenue Code of 1986 to identify the types of and
23 specific tax provisions that have the largest effects on car-
24 bon and other greenhouse gas emissions and to estimate
25 the magnitude of those effects.

1 (b) REPORT.—Not later than 2 years after the date
2 of enactment of this Act, the National Academy of
3 Sciences shall submit to Congress a report containing the
4 results of study authorized under this section.

5 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
6 authorized to be appropriated to carry out this section
7 \$1,500,000 for the period of fiscal years 2008 and 2009.

8 **SEC. 402. COMPREHENSIVE STUDY OF BIOFUELS.**

9 (a) STUDY.—The Secretary of the Treasury, in con-
10 sultation with the Secretary of Agriculture, the Secretary
11 of Energy, and the Administrator of the Environmental
12 Protection Agency, shall enter into an agreement with the
13 National Academy of Sciences to produce an analysis of
14 current scientific findings to determine—

15 (1) current biofuels production, as well as pro-
16 jections for future production,

17 (2) the maximum amount of biofuels production
18 capable on United States farmland,

19 (3) the domestic effects of a dramatic increase
20 in biofuels production, for example—

21 (A) the price of fuel,

22 (B) the price of land in rural and subur-
23 ban communities,

24 (C) crop acreage and other land use,

1 (D) the environment, due to changes in
2 crop acreage, fertilizer use, runoff, water use,
3 emissions from vehicles utilizing biofuels, and
4 other factors,

5 (E) the price of feed,

6 (F) the selling price of grain crops,

7 (G) exports and imports of grains,

8 (H) taxpayers, through cost or savings to
9 commodity crop payments, and

10 (I) the expansion of refinery capacity,

11 (4) the ability to convert corn ethanol plants for
12 other uses, such as cellulosic ethanol or biodiesel,

13 (5) a comparative analysis of corn ethanol
14 versus other biofuels and renewable energy sources,
15 considering cost, energy output, and ease of imple-
16 mentation, and

17 (6) the need for additional scientific inquiry,
18 and specific areas of interest for future research.

19 (b) REPORT.—The National Academy of Sciences
20 shall submit an initial report of the findings of the report
21 required under subsection (a) to the Congress not later
22 than 3 months after the date of the enactment of this Act,
23 and a final report not later than 6 months after such date
24 of enactment.

1 **Subtitle B—Application of Certain**
2 **Labor Standards on Projects Fi-**
3 **nanced Under Tax Credit Bonds**

4 **SEC. 411. APPLICATION OF CERTAIN LABOR STANDARDS**
5 **ON PROJECTS FINANCED UNDER TAX CREDIT**
6 **BONDS.**

7 Subchapter IV of chapter 31 of title 40, United
8 States Code, shall apply to projects financed with the pro-
9 ceeds of any tax credit bond (as defined in section 54A
10 of the Internal Revenue Code of 1986).